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# ***Daily Report***

## **China**

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# Daily Report China

FBIS-CHI-88-013

## CONTENTS

21 January 1988

### INTERNATIONAL AFFAIRS

#### General

Kissinger Interview on East-West Ties [Hong Kong LIAOWANG OVERSEAS EDITION No. 1, 4 Jan]	1
Roundup on Shevardnadze Trip to FRG	2

#### United States & Canada

Commentary on U.S. Global 'Deployment' [JIEFANGJUN BAO 3 Jan]	3
---	---

#### Northeast Asia

Talks With Japan Set for 28, 29 Jan [AFP]	4
---	---

#### West Europe

Further on Visit by Norway's Prime Minister	4
Contract Agreements Signed	4
Brundtland Leaves for Xian	5

### NATIONAL AFFAIRS

Peng Peiyun Named New Family Planning Head	6
Biographic Data	6
Li Peng Says Current Family Planning To Stay	6
24th NPC Standing Committee Meeting Ends	7
First Session of 7th NPC To Be Held in March	7
NPC Leader Says Buddhists Should Help	7
British Victim of Plane Crash Identified	7
CHINA DAILY on Streamlining Cadre Ranks [21 Jan]	8
Decisionmaking Process Must 'Open' to Public [CHINA DAILY 20 Jan]	8
State Council Congratulates Baoshan Steel	9
Journal Publishes New Year's Message [Hong Kong LIAOWANG OVERSEAS EDITION 4 Jan]	9
Peng Zhen Encourages Guangdong Reforms [NANFANG RIBAO 15 Jan]	11
Li Ximing, Others Attend Newspaper Reception [BEIJING RIBAO 25 Dec]	12
Tian Jiyun Emphasizes Market Orientation	12
Economic Role of Research Centers Stressed	13
Culture Minister Views 1988 Work Program [RENMIN RIBAO 1 Jan]	13
State Council Meeting on Housing Reform [RENMIN RIBAO 19 Jan]	15
Housing Reform Plan Garner Popular Support [JINGJI RIBAO 20 Jan]	16
Skyrocketing House Prices Affect Reforms [Hong Kong ZHONGGUO TONGXUN SHE]	16
Professionals Discuss Draft Enterprise Law [SHIJIE JINGJI DABAO 21 Dec]	17
Paper Cites Entrepreneurs on Enterprise Law [RENMIN RIBAO 9 Jan]	20
Regulations on Price Ceilings Issued	23
State To Raise Price of Farm Products [NONGMIN RIBAO 19 Jan]	23
'Newsletter' on Commodity Price Increases	23
LIAOWANG on China's Foreign Trade Reform [Hong Kong LIAOWANG OVERSEAS EDITION 4 Jan]	27

## REGIONAL AFFAIRS

### East Region

Shandong Secretary Attends Conferences .....	30
--	----

### Central-South Region

Guangdong To Take Lead in Political Reform [Hong Kong WEN WEI PO 18 Jan] .....	30
Hainan Cultural, Propaganda Work Discussed .....	30
Wuhan Elects New CPC Committee Officials [CHANGJIANG RIBAO 30 Dec] .....	31

### Southwest Region

Sichuan People's Congress Session Opens .....	32
Xizang Police Release Detained Lhasa Rioters .....	33
Xizang CPPCC Discusses United Front Work [XIZANG RIBAO 18 Jan] .....	33

### North Region

Beijing Mayor Discusses 'Obstacles' to Development .....	34
Meeting of Beijing CPPCC Committee Opens .....	34
Hebei Secretary Attends CPC Plenum Meeting [HEBEI RIBAO 29 Dec] .....	35
Shanxi People's Congress Session Opens 20 Jan .....	35
Tianjin's Li Ruihuan Attends Bridge Ceremony [TIANJIN RIBAO 30 Dec] .....	36

### Northeast Region

Jilin's Gao Di Attends Discipline Meeting .....	36
Liaoning's Quan at Opening of CPPCC Session .....	37

### Northwest Region

Shaanxi Leaders Discuss Financial Work Reform .....	37
Xinjiang May Get Three Special Economic Zones [Hong Kong SOUTH CHINA MORNING POST 20 Jan] .....	38

## TAIWAN

Li Promulgates Assembly, Street March Law .....	40
Radio Lauds Constitutional Succession Process .....	40
DPP Announces Temporary Truce with KMT [CHINA POST 16 Jan] .....	40
Taiwan To Pay Tribute to Chiang Ching-kuo .....	41
Hong Kong Paper Discusses Taiwan After Chiang [WEN WEI PO 17 Jan] .....	42
Hong Kong Editorial Mourns Chiang Ching-kuo [TA KUNG PAO 15 Jan] .....	42

## HONG KONG & MACAO

### Hong Kong

PRC Vice Foreign Minister Meets Governor [AFP] .....	44
Attorney-General To Leave Government in May [SOUTH CHINA MORNING POST 20 Jan] .....	44

**General**

**Kissinger Interview on East-West Ties**  
*HK201452 Hong Kong LIAOWANG OVERSEAS*  
*EDITION in Chinese No. 1, 4 Jan 88 pp 15-16*

[Article by correspondents Peng Di (1756 6611) and Qian Xing (6929 5887): "Kissinger on East-West Relations"]

[Text] We recently interviewed former U.S. Secretary of State Dr Kissinger in the drawing room of his apartment in New York City. While sipping tea, he talked about current East-West relations. He said that disarmament alone will not permanently improve East-West relations unless some measures are taken to deal with the latent tense situation. He held that to maintain a proper geopolitical balance between the United States and the Soviet Union, the reduction of conventional weapons, if not conducted earlier, should at least be simultaneously carried out with the massive reduction in nuclear weapons.

The following is the main content of Dr Kissinger's conversation with us:

Question: Dr Kissinger, the American-Soviet summit meeting held in Washington has ended. What is your view on current East-West relations?

Kissinger: I think that personal relations between the leaders of the two countries have certainly improved. However, on the other hand, the tense situation is a product of reality rather than a product of personal relationships. Therefore it is difficult to achieve a sustained improvement in East-West relations unless measures are taken to deal with the latent tense situation.

Question: What do you mean by the latent tense situation?

Kissinger: What I mean is the activities of the Soviet Union in many parts of the world, including Afghanistan, Southeast Asia, Nicaragua and Angola. Compared with other countries the Soviet Union is, after all, the country with the largest territory in the world. It is not an excessive demand to ask them to confine their armed forces to their own territory. It also seems to me that it is a mistake to talk about a reduction in nuclear weapons without considering the conditions for producing such weapons.

Question: What is your proposal on this issue?

Kissinger: I have openly said on several occasions that I truthfully like the Chinese method. They have stated their three conditions for improving relations. I am pretty sure that the West should also state those problems which should be solved. I think that two conditions put forward by the Chinese should at least be included,

namely Afghanistan and Southeast Asia. What I would like to add are Angola, Nicaragua, and a certain degree of cooperation in the Persian Gulf region.

Question: Is there any slight change in the policies of the United States and the Soviet Union? What is your impression on this?

Kissinger: The Soviet Union needs several stable years to focus its attention on internal affairs. This is the so-called objective reality which Marxists have stated. The United States is frequently carried away by sentiment, and such sentiment is mostly mental reaction. I don't think President Reagan will admit that there is any change in his policy. However, relations between the American and Soviet leaders have truly improved.

Question: What do you think of the INF treaty which has just been signed?

Kissinger: I am critical of the INF treaty because I believe that it is an unequal treaty. It will not remove the Soviet threat to Europe and the United States. On the contrary, it weakens the capability of Europe in counter-attacking aggression. However, it is no use arguing about the treaty now because it has already been signed. My view is that if the treaty is not approved a greater harm might occur. Therefore, when I testify to the House of Representatives I will support the treaty. It is my view that the present problem does not lie in the treaty itself, but in the next step to be taken.

Question: They will go a step further by reducing offensive strategic weapons. What do you think about that?

Kissinger: I think that the United States should formulate a strategy aimed at using foreseeable [ke yi yu jian 0668 0110 7315 6015] weapons to protect its allies or friends afar. Instead of abolishing their great destructive power, the reduction of the weapons mentioned above will hamper the United States from using nuclear weapons in different ways to defend friendly countries. Due to the fact that the Soviet Union has long communication lines at home for its Army, it can deploy its troops from west to east, or from east to west. I would like to see a reduction in the Soviet Union's conventional weapons by a big margin. If not earlier, it should at least be simultaneously carried out with the large-scale nuclear disarmament. I don't like handling nuclear weapons as a separate case.

Question: But it seems that Mr Gorbachev has stated that he is also preparing to reduce conventional weapons, and is even willing to accept the asymmetrical principle.

Kissinger: I would like to know what he is thinking about the reduction of conventional weapons. I didn't say that he is not willing to do so, but it is unwise for us to focus our attention on nuclear weapons before we know what he is going to do about conventional weapons. General



statements alone are not enough. We should let him put forward a specific proposal so that we know what he is going to do. If the Soviets withdraw say 5 or 10 divisions of troops from Europe, and re-station them in the Ural Mountains region, this will increase the danger to the Middle East and China. Whatever kind of weapons the Soviets withdraw from Europe, they should be destroyed. Change in geographical position alone is not enough, and neither is minor change.

Question: The very complicated issue of strategic weapons will be discussed at the next stage. Do you think that it is possible to sign such a treaty in such a short period of time?

Kissinger: I can't imagine how the treaty can be signed. I can't imagine how such a great number of rules and regulations on checking and examining can be worked out.

Question: I remember that in your works you mention that in a world which is full of contradictions and interdependence, mankind is facing a test for survival. To solve this problem, why should we not start from the reduction of nuclear weapons?

Kissinger: The reduction of conventional weapons should also be carried out simultaneously. Why should our attention be focused on nuclear weapons alone? Why should such a reduction begin with the weapons needed for the national defense of Western countries, but not from weapons on which Soviet strategy relies? Why should we not deal with the danger caused by the Soviet superiority in conventional weapons? It does not mean that the problem of nuclear weapons should not be solved. What I mean is that efforts should be made to solve the problems of both nuclear and conventional weapons.

Question: Dr Kissinger, apart from changes in the relations between the superpowers, what other changes are on the current international horizon?

Kissinger: I follow with great interest the developments in China's internal situation. I think that your recently held party congress is a matter of primary importance. Its significance far exceeds internal changes in the Soviet Union. You have established a leadership system of three echelons. You have initiated an economic management method which is not capitalist and does not completely rely on planning. The operation of such a method is amazing. Frankly speaking, I don't think that the present Soviet reforms will really work, but I am fairly optimistic about the reform in China. Of course, it is strenuous work to handle the matter of 1 billion people under whatever system.

Question: We know that you are actively carrying out your activities. You use your speciality to promote the improvement of international relations. However, your

present status is different from the the previous one when you were a government official. Can you talk about your new experiences in this regard?

Kissinger: I am now doing advisory work, and my company is a completely private company. I provide free advisory services for certain governments. I regard these governments as friends. When they ask for my opinions, I like to give them advice. I am not working for any government. I can play some role in this regard, but my present work is different from government work. It is a different kind of work. I can expect that more will happen in the future.

Question: What advice would you give to China now?

Kissinger: I think that the path which China is following is correct. I believe, and also hope, that China will exercise patience when it hears some irresponsible remarks during the U.S. election year. I think that Sino-American relations are good. One thing which I am very proud of is that since Nixon opened up relations with China, all U.S. Presidents, belonging to whatever party, support developing relations with China. Such undisputed ideas rarely happen in the United States. I am now actively engaged in the organization work for the newly established U.S.-China Association. The purpose of this association is to promote understanding among the American public in order to strengthen relations between China and the United States. We are planning to hold a series of meetings to promote friendship between China and the United States. I will do the work in my private capacity.

**Roundup on Shevardnadze Trip to FRG**  
*OW202341 Beijing XINHUA in English 1039 GMT*  
20 Jan 88

["Roundup: A Step Forward in Soviet-Fed. German Relations (by Wang Aibao)"]—XINHUA headline]

[Text] Bonn, January 19 (XINHUA)—Soviet Foreign Minister Eduard Shevardnadze wound up his three-day official visit to Bonn Wednesday with both sides described [as received] the talks during the visit as "positive, beneficial and fruitful."

It was the first visit ever made by a Soviet foreign minister in five years, to which both the Soviet Union and Federal Germany had attached great importance. Besides his talks with Federal Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher, Shevardnadze also held meetings with Federal German President Richard von Weizsacker and leaders of Federal German political parties.

Talks between Shevardnadze and Federal German officials centered on disarmament, East-West relations, Soviet-Federal German bilateral relations and a proposed summit between Soviet leader Mikhail Gorbachev and Federal Chancellor Helmut Kohl.

Shevardnadze's Bonn visit coincided with the recent breakthrough in the disarmament negotiations between the United States and the Soviet Union and a growing reduction of tension between the East and the West. To ride the wind and consolidate the thawing bilateral relationship, Shevardnadze's visit appeared to be a new effort to promote cooperation in many fields between the two countries.

The Soviet Union has shown eagerness to improve relations with Federal Germany, its biggest trade partner in Western Europe, while implementing its economic reform policy in a bid to develop its economy and increase comprehensive national strength. The eagerness is now sharpened by the vast fall in its trade volume with Federal Germany, as a result of dropping oil prices and the weakening of the U.S. dollar.

For Federal Germany, which depends heavily on export, the Soviet Union means an enormous market. Tightening cooperative ties with the Soviets will not only enable Federal Germany to cope with its own economic difficulties, but will raise its status in East-West relations and strengthen its voice in international forum.

Shevardnadze's visit was regarded by the two sides as a major step in the course of improving relations and tightening cooperation. According to Shevardnadze, a "new thinking" is needed in dealing with bilateral relations and they should be enriched with "new quality."

During his stay in Bonn, Shevardnadze repeatedly praised Federal Germany for its contribution to the signing of the INF treaty eliminating all intermediate-range nuclear missiles. Genscher paid tribute to Gorbachev's policy and showed sympathy and understanding for the reform which is now underway in the Soviet Union.

Talks also lead to the signing of an accord which will bring regular consultations between foreign ministers or vice-foreign ministers of the two countries. An agreement was also reached for the setup of consulates in Munich and Kiev. A long-term economic cooperation accord signed in 1978 will be extended for another five years.

Nevertheless, the Germans are disappointed with the failure to fix a date for the Gorbachev-Kohl summit, which, according to some Federal Germans, was believed to fall within the first half of 1988. Upon his departure, the Soviet foreign minister credited the postponement of the summit to the second half of the year to the busy timetable of the two leaders.

Whatever the niceties, Shevardnadze's visit is now fairly hailed as "a step forward" to closer relations between the Soviet Union and Federal Germany.

## United States & Canada

### Commentary on U.S. Global 'Deployment'

HK201.08 Beijing JIEFANGJUN BAO in Chinese  
3 Jan 88 p 4

["Weekly Commentary" by Zhang Hong: "U.S. Global Military Deployment Is Faced With Challenges"]

[Text] After the end of World War II, the United States relied on its own strength to establish a large military structure in the world. At present, it has military bases and troops in 19 countries. Its overseas troops number some 500,000 personnel accounting for about one-fourth of the country's total armed forces. However, this "gold dollar empire" has found that its strength is no longer equal to its ambition to maintain such a large-scale military presence in the world. Recently, the United States has met with a series of problems concerning its overseas military bases and military presence, and this has deeply upset the generals in the Pentagon.

The first problem arose over the Subic Naval Base and Clark Air Base in the Philippines. They are the two largest and most important U.S. overseas military bases. U.S. President Reagan even said that "nothing is more important than our bases in the Philippines." When the Philippines indicated its intention to recover these two bases the United States was struck with panic because this meant that it would lose its bridgehead in the Asia-Pacific region. It would cost the United States some \$8 billion to move the military base facilities. It was later proved to be merely a false alarm, but in order to maintain these two bases the United States has indicated that it is willing to pay twice as much as before to the Philippines. Meanwhile, the Philippine Government guarantees only that the agreement on the military bases will continue to be valid until 1991. It is now hard to anticipate the fate of the bases after 1991.

Before the United States allayed the trouble in the Philippines, more trouble arose in its military bases in Spain. In early November 1987, the United States and Spain failed to reach agreement in their negotiations about reducing the number of U.S. troops stationed in Spain. Not long ago the two countries held fresh defense talks and again failed to reach any compromise. If the two sides fail to reach a compromise the United States will have to close all of its military bases in Spain and dismantle the military facilities there within 1 year.

Things in Greece are also unfavorable to the United States. The agreement on maintaining U.S. military bases in Greece, signed by the two countries in 1983, will soon expire. According to this agreement the United States should pay an annual rent of \$500 million to Greece, but in 1987, Greece only received \$340 million. At present, Greece is going to raise the rent to \$1 billion a year. It is very difficult for the United States, which is

now not rich enough, to pay such a huge rent. Once the United States loses its bases in Spain and Greece, there will be a big loophole in its European defense system.

In addition, the United States is also facing a series of difficult problems concerning its military bases in Turkey, Portugal, Britain, Greenland, and Belau. As the agreements with these countries or regions will soon expire, the rents will be raised, or the local residents are demanding the withdrawal of the U.S. troops. This is undoubtedly a serious challenge against the U.S. global military deployment.

The U.S. overseas military forces troubles can be ascribed to many reasons. The emergence of the Third World in the postwar period, the growth in the peace forces, and the development of the anti-hegemonism struggle in various countries, have more and more tightly restrained the actions of the superpowers. On the other hand, the strength of the United States is declining, and it has become more and more difficult for it to maintain such a large-scale military presence in the world.

The ancient Chinese literary classic "The Dream of the Red Chamber" describes the decline of the Rong and Ning Mansions by saying that "although the outside framework has not collapsed, the internal structure has in fact become worm-eaten." This can also be used to describe the economic condition of the United States. The Wall Street stock market crash, the budget deficit, and the trade deficit have laid bare the economic difficulties in the United States. For many years, consumption in the United States exceeded production. The national debt has reached as high as \$2,400 billion, with \$400 billion of this debt owed to foreign countries. Income always falls short of expenditure and the government fails to make ends meet. Under such an adverse economic situation, people at home have more and more strongly called for cuts in military expenditure by a big margin, and this has seriously set back Reagan's plan for "rebuilding military strength." After the resignations of Secretary of the Navy Lehman and Secretary of Defense Weinberger, the first task for the new Secretary of Defense Carlucci was to immediately reduce the military expenditure by \$5 billion, reduce it by another \$33 billion in 1989, and reduce troops in active service by 100,000. Carlucci sadly described himself as the first secretary of defense who had to announce military expenditure reductions as soon as coming into office. It is said that the U.S. Armed Forces are now seriously short of funds and spare parts and are forced to dismantle some planes to ensure the operation of others. Under these circumstances, the United States can only behave like a "playboy" who cannot pay his bills, and it will be more and more difficult for it to tackle the huge expense of maintaining overseas military bases and troops.

Of course, "there are at least 3 pounds of nails on a wrecked ship." Besides, the United States is a superpower and it will not recklessly give up its global strategy. It will try hard to maintain its existing military presence.

It may make some tactical adjustments and slightly shorten its front so as to guarantee the strategic key points. This will be the most likely option that the United States will adopt.

### Northeast Asia

#### Talks With Japan Set for 28, 29 Jan

HK201306 Hong Kong AFP in English 1301 GMT  
20 Jan 88

[Text] Beijing, Jan 20 (AFP)—China and Japan have agreed to hold the eighth round of regular governmental consultations from January 28 to 29 in Beijing, a Chinese government spokesman said Wednesday.

The decision was made by Chinese Foreign Ministry Spokesman Liu Shuqing and Japanese Deputy Minister of Foreign Affairs Kuriyama Takakazu, said Chinese Foreign Ministry Spokesman Ma Yuzhen.

"The two sides will exchange views on Sino-Japanese relations and international issues of common concern," Mr Ma told a weekly press briefing here.

Relations between Beijing and Tokyo have also been troubled by Japan's large trade surplus with China and a Japanese court decision to award ownership of a disputed student dormitory in Kyoto to Taiwan.

China has expressed concern over Tokyo's decision to increase defence spending, a move it sees as a return to the country's past militarism.

Analysts say that trade issues are likely to dominate the agenda at the talks, following Beijing's recent announcement that it expected a slow down in Sino-Japanese trade until 1990.

Japan's reluctance to transfer technology to China is cited by Beijing as one of the prime causes of the decline in trade, a situation it says has worsened since Japan's ban on Toshiba exports to Communist countries.

Sino-Japanese trade fell to 11.22 billion dollars in the first nine months of 1987, a drop of 8.29 percent compared to the previous year.

### West Europe

#### Further on Visit by Norway's Prime Minister

##### Contract Agreements Signed

OW202309 Beijing XINHUA in English 1156 GMT  
20 Jan 88

[Text] Beijing, January 20 (XINHUA)—Norway will provide China, gratis, 2.445 million U.S. dollars to construct a Beijing-based marine coast earth satellite station, according to an agreement signed between the two governments here today.



Also signed were a wildcat well contract, a contract on the management of Huawei Center and a contract on the center's design and construction.

According to the contract signed between the China National Offshore Oil Corporation and the Statoil (the national oil company of Norway), the Norwegian side has the obligation to drill a wildcat well and thereafter the option to continue exploration.

The contract area off the coast of Hainan Island in the South China Sea is 3,740 square kilometers in size.

Norway already has an interest in two contract areas offshore China. The signing of the new contract indicates a new stage of Sino-Norwegian cooperation in offshore oil exploration.

Situated in a business district of the Chinese capital, the Huawei Center is a commercial building with a total construction space of 70,000 square meters. Both China and Norway will invest 51.9 million U.S. dollars in the project.

The center is scheduled to be completed in September 1989.

Present at the signing ceremony were China's Acting Premier Li Peng and visiting Norwegian Prime Minister Gro Harlem Brundtland.

**Brundtland Leaves for Xian**

*OW202212 Beijing XINHUA in English 0822 GMT  
20 Jan 88*

[Text] Beijing, January 20 (XINHUA)—Norwegian Prime Minister Mrs. Gro Harlem Brundtland and her husband Arne Olav Brundtland left here today for a tour of Xian and other Chinese cities.

She was accompanied by Wu Wenying, Chinese minister of textile industry.

Prior to her departure Chinese Acting Premier Li Peng bid her goodbye at the Great Hall of the People.

Mrs. Brundtland told Li that her talks and discussions with him and other Chinese leaders were successful. The members of the Norwegian business delegation also had extensive contacts with their Chinese colleagues.



**Peng Peiyun Named New Family Planning Head**  
*OW211252 Beijing XINHUA Domestic Service*  
*in Chinese 1133 GMT 21 Jan 88*

[Text] Beijing, 21 Jan (XINHUA)—Order of the President of the People's Republic of China, No 64

According to a decision made at the 24th meeting of the Standing Committee of the Sixth National People's Congress of the People's Republic of China on 21 January 1988, Peng Peiyun has been appointed the minister in charge of the State Family Planning Commission, and Wang Wei has been relieved from his post as the minister in charge of the State Family Planning Commission.

Li Xiannian, President of the People's Republic of China, on 21 January 1988

**Biographic Data**

*OW211219 Beijing XINHUA in English*  
*1202 GMT 21 Jan 88*

[Text] Beijing, January 21 (XINHUA)—A 58-year-old woman Chinese Communist Party worker who has built a career working in educational departments has been appointed the new minister in charge of the State Family Planning Commission.

Peng Peiyun of han nationality from Liuyang County in Hunan Province replaces Wang Wei, 69.

Her appointment, proposed by acting Premier Li Peng, was passed at the 24th meeting of the Standing Committee of the National People's Congress which closed here today.

Before accepting the new post, Peng was party secretary of the Chinese university of Science and Technology in Hefei, capital of Anhui Province.

Her prior experience includes deputy party secretary of Qinghua University in Beijing, vice-minister of education and vice-minister of the State Education Commission.

**Li Peng Says Current Family Planning To Stay**  
*OW210535 Beijing XINHUA in English*  
*1853 GMT 20 Jan 88*

[Text] Beijing, January 20 (XINHUA)—Chinese acting Premier Li Peng reaffirmed here today that family planning, as a fundamental state policy of China, will remain unchanged.

"As China is experiencing a childbirth boom, such practices as late marriage, late birth, and 'one couple one child' should continue to be encouraged," Li Peng said.

The acting premier was speaking to a meeting attended by leading members of family planning commissions from all parts of the country.

On achievements made since 1978 in family planning, Li Peng said that China's natural population growth rate has dropped from 20 per thousand in the 1950s-to-mid-1970s period to the present 11-14 per thousand.

"Without family planning, an additional 200 million people would have been born, calculating according to the natural growth rate in 1970," Li said.

China is characterized by a large population, weak economic foundation and imbalanced economic development, Li said, noting, "if we do not exercise population control in light of this basic fact, the wealth gained from production development will be offset by population increase."

Facts prove, he said, China's family planning policy is correct and successful and has played an important role in raising the general quality of the Chinese nation and its prosperity.

Li admitted that family planning is a difficult and complicated task. "To fulfill this task traditional ideas have to be changed and actual problems in people's production and life solved."

Therefore, he said, family planning should be carried out only through education and on a voluntary basis rather than through compulsory measures.

Li said mass organizations and non-government organs should do their bit in the matter.

On the party and government leadership over the work, he said that after the separation of the party and government functions in the political reform, decisionmaking power of key issues concerning family planning should remain in the hands of the party committees while governments at various levels should be responsible for the implementation of decisions made.

Family planning should be taken as an important index in evaluating performance of governments at various levels, he said.

The acting premier said that emphasis should be put in rural areas where the work in family planning has been most difficult to carry out.

Li Peng praised the various responsibility systems being experimented in family planning and called on localities to work out necessary decrees on the issue.

He said that departments in charge of family planning should not be abolished. "On the contrary, more members should be recruited to strengthen the work," he added.

**24th NPC Standing Committee Meeting Ends**  
*OW211228 Beijing XINHUA in English*  
1202 GMT 21 Jan 88

[Text] Beijing, January 21 (XINHUA)—A state-owned industrial enterprises law will be submitted for examination to the first session of the Seventh National People's Congress (NPC) to be held in March.

According to the suggestions made at today's closing ceremony of the 11-day 24th Meeting of the Sixth NPC Standing Committee, the Sino-foreign cooperative enterprises law will also be discussed during the session two months later.

An agenda for the first session of the Seventh NPC was proposed at today's closing ceremony, presided over by NPC Chairman Peng Zhen.

A water law and two sets of additional regulations on punishment for embezzlement, bribery and smuggling crimes were also approved today.

**First Session of 7th NPC To Be Held in March**  
*OW211155 Beijing XINHUA in English*  
1141 GMT 21 Jan 88

[Text] Beijing, January 21 (XINHUA)—The first session of the Seventh National People's Congress (NPC) will be convened in Beijing in March, according to a decision made here today.

The 24th meeting of the Sixth National People's Congress, which closed this afternoon, also proposed an agenda for the March session as follows:

- Election of the country's president and vice-president;
- Election of the chairman, vice-chairmen, secretary-general and members of the Standing Committee of the Seventh National People's Congress, and candidates for the NPC professional committees;
- Deciding the candidates to serve as premier, vice-premiers, state councillors, ministers of state as well as of various commissions, auditor-general, and secretary-general of the State Council;
- Election of the chairman of the Central Military Commission and deciding members of the commission; and
- Election of the president of the Supreme People's Court and the chief procurator of the Supreme People's Procuratorate.

The session will also hear a report on government work, and examine and approve the report on the 1988 national economic and social development plan and the report on this year's state budget.

A draft law on state-owned industrial enterprises as well as one on Sino-foreign cooperative enterprises will also be examined during the session.

Examination and approval of the setting-up of Hainan Province.

In China, the National People's Congress convenes once every five years and the session of the congress is held once annually, such as the upcoming one this March.

In addition, committee meetings meet throughout the year when necessary.

**NPC Leader Says Buddhists Should Help**  
*OW210206 Beijing XINHUA in English*  
0107 GMT 21 Jan 88

[Text] Lhasa, January 21 (XINHUA)—“Buddhist monks and nuns in Tibet should do whatever is good for their country, people, and monasteries, and on no account must they do anything harmful to them.”

This was stated by Bainqen Erdini Qoigyi Gyaicain, vice chairman of the Standing Committee of the National People's Congress when receiving monks and nuns in this capital of Tibet Autonomous Region yesterday.

“This constitutes a Buddhist rule and embodies the expectation of the party and people,” added Bainqen, who is concurrently honorary president of the Buddhist Association of China.

“The Central Government shows great concern for Tibet and the Buddhists there,” he said.

Because of the disturbances that happened in Lhasa last year, some monks and nuns were wondering whether this year's “Moinlam Qenmo” could be held.

“The ceremony will be held on schedule, and it will be even more successful,” he assured the monks and nuns attending the meeting.

The Moinlam Qenmo is the grandest summons ceremony and religious festival in Tibet. It is held annually from January 3 to 25.

**British Victim of Plane Crash Identified**  
*OW201924 Beijing XINHUA in English*  
1831 GMT 20 Jan 88

[Text] Chongqing, January 20 (XINHUA)—The British passenger killed in January 18's plane crash near Chongqing in Sichuan Province was identified here today, according to an official from the Civil Aviation Administration of China (CAAC).

A passport found on the dead shows that the victim, W.K. Burley, 1.73 M tall, was born on November 27, 1929. As a marketing manager at a British company, he came to China to hold trade talks with the Hongjiang machinery factory in Chongqing.

Burley boarded the plane at 19:05 hours in Beijing on January 18. The plane crashed at 22:15 hours at a spot about eight km away from the Baishiyi Airport of Chongqing City.

Three Chinese who accompanied him were also killed in the accident.

**CHINA DAILY on Streamlining Cadre Ranks**  
*HK210929 Beijing CHINA DAILY in English*  
21 Jan 88 p 4

["It Seems To Me" column by Huang Bin: "Cadres Worry About Streamlining"]

[Text] The imminence of streamlining government departments and organizations as part of the political reform is sending shocks through people's minds.

It causes speculation about the possible close-down or merger of such-and-such departments and about the promotion or demotion or transfer of so-and-so people.

Those concerned respond differently to the coming restructuring: elated or worried, keeping a calm facade, going round campaigning for one's own future. All these make an interesting study of behaviour.

Everyone concerned is doubtlessly giving serious thought to the question: What can I do about it?

Some officials are worried about losing their posts or sliding down the ladder of officialdom.

Professionals harbour misgivings about being transferred to places where they have no chance to display their talent.

Some high-ranking cadres fear losing their vested interests.

Young people are at a loss because they feel the drastic changes might shatter their dreams.

The transition between the old and new structures often inflicts mental pain on people, brews missivings and stirs up psychological unrest.

Redistribution of interests, among other things, is inevitable in the current reform. This brings agony as well as hope.

Any reform demands a cost, which should be more than made up by later accomplishments. That is what we are striving to do.

Bearing this in mind, each government worker and official should fulfill his or her obligations in the reform.

It seems that every one of us, whether minister or clerk, should throw his or her own lot in with the fate of the nation. If the country were going to the dogs, how could one yearn for one's own great expectations?

Everyone is directly or indirectly suffering from bureaucratic low efficiency and footdragging, which have largely stemmed from the bureaucratic government apparatus. Each should do his or her bit and be obliging enough when it comes to streamlining.

One should never regard oneself as merely a passive object. While we are being selected, we should also make our own choices. It is necessary for everyone to consider what step one should take on his or her own, apart from considering what new post one will be assigned to take.

The current reform offers opportunities as well as challenges. We should not confine ourselves to the outmoded notion of one single trade in one lifetime, or "holding one rice bowl till dropping to the grave."

An official-turned businessman once said excitedly, "I thought I would remain a section head for the rest of my life and had never thought of learning a new trade."

A group of young cadres in Benxi, Liaoning Province, who opened up a counselling agency on their own after giving up the "iron rice bowl" (life employment), could not better show a vast world how much can be accomplished.

People have no reason to feel uneasy or depressed, much less become disgruntled. In the rearrangement and restructuring, we will be able to shed the shackles fettering the social development. The once inhibited productivity and personal creativity will be largely unleashed in the reform.

**Decisionmaking Process Must 'Open' to Public**  
*HK200654 Beijing CHINA DAILY in English*  
20 Jan 88 p 4

["Policy Making Must Be Open"]

[Text] China's political reform requires the improvement of the "transparency" of the country's policy-making process, the further development of a market-oriented economy and ideological changes, theorists Su Shaozhi and Wang Yizhou write in the Bulletin of Theoretical Studies. Excerpt follow:

The "transparency"—the degree to which a country's decision-making process is open to the public—is a fundamental measure of a modern democracy. It is a must in a socialist country like ours which is trying to modernize its politics, economy, society and ideology through reform.



At least three things must be done in order to achieve the "transparency" of the country's politics.

First, power must be checked and supervised. Absolute power easily results in corruption and bureaucracy. China should change highly centralized power through reform in order to check the decision-makers effectively and reasonably. The supervision must be conducted by law and public opinion.

Second, importance must be attached to consultation with the public and channels of dialogue should be varied.

The effect of consultation with the people depends on whether the organs of State power respect the wishes and criticism of non-Communist parties, social organizations, mass media, experts and ordinary people.

Third, the functioning of the Party and the government should be laid down by law and regulations, so that the people can have before them the criteria by which to judge their work.

An important lesson learnt from China's reform of nearly 10 years is that a market-oriented economy is a far more effective remedy for power worship, bureaucracy, sense of privileges and the survival of feudalism than any amount of political sermons and administrative interference.

Such an economy, though still new in China, has helped achieve what the sermons and administrative orders have long failed to achieve.

An increasing number of people in Shenzhen, Guangzhou and other coastal areas, where a market-oriented economy has developed most rapidly, no longer believe in traditional ideology and have become more independent and creative.

Therefore, the conclusion may be reached that the growth of a market-oriented economy will help reform the dated aspects of the country's political system and ideology. The next goal, to set up a complete market system, should be put forward.

#### Changes [subhead]

Ideological changes go hand-in-hand with the reform of a system. The report given at the Party's recent 13th Congress stressed that in the process of reform, dogmatic understanding of Marxism, wrong views formerly thought to be Marxism and a few visionary statements made by our predecessors owing to the limitations of the times must be eliminated.

It is these things that have long shackled people. The progress of our cause and any future reform will not be possible if we do not throw them away thoroughly.

It is our traditional political system which has protected these drawbacks of our ideology for a long time and allowed them to influence the nation.

As a science, Marxism should have no forbidden zone, no peak and no idols. But the traditional political system has not only created problems, but has made these problems into a compulsory administrative order.

It is therefore necessary to stop administrative interference in academic studies and stop confining people's minds with power, we should restore the status of Marxism as a science and encourage competition, creativity and development in ideological and cultural fields, all of which must be done by law.

An aim of the political reform should be to turn the country's centralized and unified ideology and culture into pluralistic ones and make Marxism into an open theory that keeps renewing itself.

#### State Council Congratulates Baoshan Steel OW201826 Beijing XINHUA in English 1704 GMT 18 Jan 88

[Text] Beijing, January 18 (XINHUA)—China's State Council, the country's highest governing body, congratulated the Baoshan Steel Works on the completion of a domestic cooperation task today.

The project, part of the complex's 2050 model continuous hot rolling mill in the plant's second-phase construction, has been successfully completed.

In the State Council's telegram to the Shanghai Municipal Government the State Commission for Machine-Building Industry and the Ministry of Metallurgical Industry, it says the successful domestic cooperation in the project was another laudable achievement following the successful domestic cooperation in the construction of the complex's 2030 model continuous cold rolling mill in 1987.

The telegram conveyed the State Council's regards to the concerned technicians, workers and officials. It also expressed thanks to foreign experts at the plant.

#### Journal Publishes New Year's Message HK190859 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 1, 4 Jan 88 p 1

[Article by LIAOWANG Editorial Department: "A New Year Message"]

[Text] The year 1988 has arrived. Colleagues of the Editorial Department of this journal wish our readers a prosperous new year, a happy family, a pleasant life, and new success in their careers.



With the arrival of the new year, we have plenty of good news to tell our friends abroad. For example, in 1987 GNP on the mainland exceeded 1,000 billion yuan, an increase of 14 percent. Total grain output increased by more than 5 million tons. Also, we would like to talk about the mental outlook of the people on the mainland. At present, people on the mainland, who are marching on the road of reform and opening up, have become more sober-minded, and their methods for dealing with things have become more flexible. They are marching on an increasingly broader road.

The fact that they have become more sober-minded is reflected in the following two aspects.

On the one hand, they understand China's national conditions more profoundly. The 13th CPC Congress held in 1987 has conscientiously summed up the previous experience, and clarified the concept that socialist construction in China is being carried out under the condition of backward economy, culture and productive forces. It has expounded that China is now in a stage of initial socialism, and that this stage will, at the least, last more than 100 years. This unanimous view inside the party is appreciated by democratic parties, and people in intellectual and cultural circles, and supported by the people. Such understanding is a dose of sobriety, which will help people adopt a down-to-earth manner, and proceed from practical conditions to work out long-term and stable policies, carry out the modernization program, and overcome mistakes which we repeatedly made in the past that caused great losses, such as being hotheaded, over-anxious to make achievements, and so on. Frequently changing our policies is the root of such mistakes.

On the other hand, people have a better understanding of reform. Due to reform which has been carried out over the past 9 years, people have come to know the good of reform, and found out many new difficulties and problems brought about by reform. The idea that everything will be all right as long as reform is carried out, and that the "contract system" is a panacea has been discarded. People no longer idealize, or expect too much from reform. They have realized more soberly that reform is not a kind of magic medicine which can cure all diseases. On the contrary, it is a long-term, strenuous, complicated and systematic social project. Trying to pick the fruit of reform without paying a price, or making sacrifices is tantamount to wishing to eat the peach without planting the peach tree. Therefore, the slogan of "working hard to start the undertaking" put forward by the 13th CPC National Congress is gradually being accepted by more and more people. In other words, the masses are more ideologically prepared to endure problems and difficulties brought about by reform. The task for reform in the new year is strenuous. We must not only deepen economic structural reform, but also start carrying out political structural reform. If people have a more sober understanding of reform, it will be easier for us to complete our task.

In addition, in the new year we should adopt more flexible methods to run various kinds of undertakings. Let us take enterprises as an example. In the past, there were two kinds of enterprises. One was run by the whole people, and the other run by the collectives. As far as the type of operation was concerned, there were only state-operated and collective-operated enterprises. However, at present with regard to ownership of enterprises on the mainland, under the prerequisite of keeping public ownership predominant, enterprises run by private individuals, enterprises jointly run by the state, the collective and individuals, and privately operated economy with employer-employee relations are displaying their prowess. As far as the forms of business management are concerned, various kinds of managerial responsibility system, including contracting and leasing, are being implemented. Also, competitive mechanisms such as quotas, and other things are included in the managerial responsibility system. A large number of entrepreneurs and experts in management are coming to the fore.

Our achievements in science and technology are more conspicuous. Due to restrictions in various quarters, the present state investment in scientific and technical undertakings is not large enough. Compared with various countries in the world, the conditions and pay for our scientific and technical personnel are comparatively low. On the surface, it seems that our conditions are poor, and the prospects for our scientific and technical personnel are not bright enough. Actually, because in recent years we have vigorously advocated the practice of integrating science and technology with production, supported and encouraged our scientific and technical personnel to get involved in various kinds of contract systems, leasing, and the establishment of scientific and technical organizations, a new path has opened up. Last year, 50,000 scientific and technical workers in Henan went to the forefront of industrial and agricultural production to participate in contracted projects, or the establishment of town and township enterprises. These projects produced economic results of 450 million yuan. Scientific and technical workers also increased their income because of this. In the meantime, tens of thousands of scientific and technical personnel throughout the country have established some local scientific research units which have played a fairly great role in developing scientific and technical undertakings, and production. Therefore, in doing all kinds of work, as long as we throw convention to the winds, and adopt practical and flexible methods, an "enchanted glimpse of hope" will naturally appear again.

This is also the case with the work of opening up to the outside world. In spite of the fact that we have encountered numerous difficulties in assigning cadres to do the work, raising funds, and so on in addition to certain restrictions on the expansion of the work, on the basis of summing up experiences of the past few years, at present the coastal area on the mainland is preparing to adopt a more flexible policy, and to explore a new path for expanding the work of opening up to the outside world.

With such sober minds and flexible methods, we are embarking on an increasingly broader path. Of course, the path of reform and opening up is a path previously unexplored. We should rely on the efforts of the people of the contemporary era to work steadily and make solid progress in opening up a new path. In addition, in the course of replacing the old system with the new one, the deeper and wider we carry out reform and open up our country to the outside world, the more new difficulties and problems will successively occur on the path of reform. What is gratifying is that people on the mainland have reached a common understanding on the following issues: 1) These difficulties and problems can only be solved by adopting a method of deepening reform, and retrogression will get us nowhere. 2) Practical experience tells us that as long as we keep a cool head, proceed from reality, do away with the old and with ossified convention, and give play to the creativity of the people, we will devise methods for overcoming these difficulties and solving these problems. Although we encounter numerous difficulties, we can devise more ways of overcoming them. Some people say that after carrying out rural reform, our 800 million peasants have devised 800 million methods. Now, an all-round reform is being carried out on the mainland. Our 1 billion peasants may devise 1 billion methods. Some people abroad predict that reform in China will end in failure; But their prediction has failed to come true again and again. This is because they only focus on difficulties and problems, but refuse to admit that we have methods for solving them.

Since the implementation of the policy of reform and opening up, our countrymen residing abroad, and descendants of the Yan and Huang emperors have greatly encouraged and supported us for the sake of their love for the country and homeland. They have also made many good criticisms, and put forward many good proposals. In the new year, we wish them new success in strengthening friendship and cooperation between China and people of various countries in the world.

On the occasion of the approach of 1988, we particularly wish Taiwan compatriots, and Hong Kong and Macao compatriots a happy new year. In the new year, we welcome them to return to China to visit their relatives, tour, and carry out economic and cultural exchanges. People on the mainland have made various kinds of preparations to welcome the return of their relatives and friends in Taiwan to their homeland during the Spring Festival to get together and see with their own eyes the conditions of their relatives and the situation in their homeland. In the new year, we hope for a new development in the relations between the two sides of the Taiwan Straits. Peaceful reunification of the motherland is a strong desire of millions upon millions of descendants of the Yan and Huang emperors, who are residing abroad. In the new year, we sincerely hope that such a desire will come true as early as possible.

### **Peng Zhen Encourages Guangdong Reforms**

*HK211015 Guangzhou NANFANG RIBAO in Chinese  
15 Jan 88 p 1*

[Report by Yin Guoqiang (1438 0948 1730): "During an Inspection Tour in Guangdong Province, Peng Zhen Encourages Cadres and Masses To Guard Against Arrogance and Rashness and To Make a Success of the Comprehensive Reform Experimental Zones"]

[Text] During an inspection tour in Guangdong Province, Peng Zhen, chairman of the NPC Standing Committee, confirmed the achievements the province has made in reforms and opening up to the world over the last few years. He also pointed out: Guangdong should continue to deepen its reforms, guard against arrogance and rashness, carry out explorations, sum up experience, do a good job in running its comprehensive reform experimental zones, and serve the work of reforms and opening up to the world in the rest of the country.

Accompanied by Song Zhiying, member of the Standing Committee of the Guangdong Provincial CPC Committee; Luo Tian, chairman of the Standing Committee of the Guangdong Provincial People's Congress; and Xue Yan, its vice chairman, Comrade Peng Zhen inspected Guangzhou, Foshan, Sanshui, Shunde, Zhongshan, Zhuhai, and Dongguan from 3 December 1987 to 13 January 1988. During his inspection tour, he listened to work reports from principal provincial leaders including Lin Ruo and Ye Xuanping and from responsible persons of the above cities and counties. He inspected some state-owned enterprises, collective enterprises, township enterprises, joint ventures, Sino-foreign cooperative enterprises, rural specialized households, urban construction, and urban cultural development. He also met noted personages from Hong Kong and Macao including Henry Fok and Ma Man-kee.

During his inspection tour, Comrade Peng Zhen made comments on some problems. He said:

Guangdong has made gratifying achievements in its reforms and opening up to the world over the last few years. This should be affirmed. Everything divides into two. I agree with the opinion of the Guangdong provincial party committee. That is, while affirming our own achievements, we should also be aware of our shortcomings, make constant efforts and constant progress, and carry out constant reforms. In this way, we will achieve new development.

We are still lacking experience in exercising the socialist planned commodity economy. As Lenin pointed out, without a revolutionary theory, there can be no revolutionary movement. This is the same with building socialism and developing the commodity economy. From now on it is necessary to strengthen work concerning theoretical research and giving theoretical guidance, according to the needs for reforms and opening up to the world. In the course of opening up to the world and enlivening the



domestic economy, it is necessary to formulate major principles on how to exercise good management. The commodity economy started very early in Guangdong, which is situated on the coast, borders upon Hong Kong and Macao, and maintains frequent and active economic and cultural contacts with foreign countries. These are Guangdong's favorable conditions for developing its commodity economy. You should fully utilize these favorable conditions and actively absorb advanced science, technology, and managerial experiences from foreign countries to promote socialist modernization in our country. Developing an outward-oriented economy has enabled us to enter the international market. We should pay attention to these two problems: One is quality and the other is production costs. As is necessary for participating in international competition, we should constantly improve the quality of our products and reduce our production costs. To prevent ourselves from losing our market, we should never allow our product quality to drop. In expanding exports, do not think of relying on state subsidies any more but strive to reduce your production costs and increase your competitiveness. The Chinese nation is one of the finest nations in the world. What foreigners can do, we can do as well, and better. In introducing advanced foreign technology and managerial experiences, we should make efforts to surpass them, like "blue extracted from the indigo plant becoming bluer than the plant it comes from."

Agriculture is very important. It is particularly so to China, a large country with a population of 1 billion. To make the peasants prosperous, it is necessary to develop the commodity economy. Now 70 to 80 percent of the people in the rural area are engaged in grain production. If this situation is allowed to remain unchanged, the peasants will not become better off. The intensive use of farmlands should be introduced, operation should be mechanized, and scientific farming should be applied. This will free more and more peasants from the binds of small farmlands and improve land utility rate. On the other hand, township and town enterprises should be given more impetus so as to absorb more surplus laborers from the rural areas and push forward the development of the rural commodity economy. We should not adopt the capitalist method of depriving the peasants of their right to engage in industrialization but should gradually narrow the "three big differences" and bring about common prosperity among the peasants by developing township and town enterprises and building small towns. The experiences of Foshan, Shunde, Zhongshan, Dongguan, and some regions in Jiangsu Province have proved that this method is correct. Agricultural investments in some localities have been inadequate in recent years. We should increase agricultural investments, do a good job in building water conservancy projects for farmlands, and work hard to increase grain production.

Special economic zones should continue to take the lead in reforms and opening up to the world. They should sum up their experiences so that they can blaze a trail for

the rest of the country to follow. In the fields of simplifying administration, improving work efficiency and productivity, separating government administration from enterprise management, straightening out the relationship between the enterprise, the party, and the government, training employees and talented people, promoting the introduction of advanced foreign technology, and carrying out cooperation with units in the hinterland, special economic zones should make active explorations and sum up their experiences so as to serve reforms in the rest of the country.

**Li Ximing, Others Attend Newspaper Reception**  
*SK200759 Beijing BEIJING RIBAO in Chinese*  
25 Dec 87 p 1

[Excerpts] JINGJI RIBAO celebrated its 5th founding anniversary in Beijing on 24 December. [passage omitted]

A total of 350 persons from various circles of the capital attended a reception held by JINGJI RIBAO. They included Li Ximing, member of the Political Bureau of the CPC Central Committee; Geng Biao, vice chairman of the NPC Standing Committee; Chen Muhua, state councillor; Wang Renzhi, director of the Propaganda Department of the CPC Central Committee; Chen Xitong, mayor of Beijing Municipality; and responsible comrades of the various departments and committees of the CPC Central Committee and the State Council.

**Tian Jiyun Emphasizes Market Orientation**  
*OW211125 Beijing XINHUA Domestic Service*  
in Chinese 1239 GMT 12 Jan 88

[By Reporter Chen Yun]

[Excerpts] Beijing, 12 Jan (XINHUA)—Vice Minister of Commerce Pan Yao disclosed on 12 January that on hearing reports on commerce and supply and marketing cooperatives work recently, Vice Premier Tian Jiyun pointed out: It is necessary to get our supply and marketing cooperatives oriented "to the market so that they can participate in competition and vigorously develop lateral ties as well as ties with enterprises."

Pan Yao said: This is the orientation for supply and marketing cooperatives in the future for carrying out in-depth reform. Pan Yao made these remarks at a national meeting of directors of supply and marketing cooperatives which ended on 12 January. [passage omitted]

Pan Yao also indicated that the Ministry of Commerce will consult with provinces and cities concerned to unite, in a planned and organized manner, existing trade centers with trade cargo warehouses and thus form an enterprise group so as to establish a nationwide agricultural and sideline products trade center.

**Economic Role of Research Centers Stressed**  
*OW180724 Beijing XINHUA in English 0653 GMT*  
18 Jan 88

[Text] Beijing, January 18 (XINHUA)—In today's "PEOPLE'S DAILY," State Councillor Song Jian called on China's key research institutes and colleges to cooperate with local enterprises in breaking into the world market.

Song made the statement during a recent national conference on furthering the country's "Sparkling Plan," which focuses on introducing modern agro-techniques in rural areas.

China's Pearl and Yangtze River Deltas, open coastal cities and economic development zones should try to lure more foreign personnel to help develop new industries and hi-tech products, and open international markets, Song said.

According to Song, the government is encouraging research institutes and colleges to become directly involved in the national economy while they continue and accelerate their own managerial system reform.

Song said, China's research institutes now have to continue and accelerate their own managerial system reform and make science and technology top priority in economic development.

"China's scientists and technicians should go all out in expanding the market economy and entering the world's great economic cycle," Song went on.

China needs to encourage research institutes and colleges to invest in and contract research projects in the country's major cities by contributing their know-how and opening branch offices, he stressed.

Song mentioned the experiences of some non-governmental research offices in Zhongguancun in Beijing's northwest suburbs, which have linked income with worker performance.

**Culture Minister Views 1988 Work Program**  
*HK170751 Beijing RENMIN RIBAO in Chinese*  
1 Jan 88 p 2

[Report by Yang Lianghua (2799 5328 0553) and Qi Xin (7871 2946): "Minister of Culture Wang Meng Forecasts Cultural, Art Work in 1988"]

[Text] A new year is beginning and everything looks fresh and bright. When making some predictions on China's cultural and art work in 1988, Minister of Culture Wang Meng noted: "We hope our literature and art life will continue to flourish in a democratic and harmonious atmosphere where political stability and unity are maintained, and we will be active and prudent in reforming the mechanics of cultural management."

These remarks were made by the Minister of Culture, who was promoted from among the writers, in an interview with our correspondents on the eve of the new year.

**We Must Promote What Is Beneficial and Abolish What Is Harmful When Formulating Our Literature and Art Work [subhead]**

When speaking on the present situation in the world of literature and art, he seemed both excited and worried. He pointed out: Reform and the opening up policy have revitalized social life as a whole and made our world of literature and art become more thriving than before. In the 9 years since the 3d Plenary Session of the 11th CPC Central Committee, literature and art circles have been extremely animated and this period has been one of the best since the founding of the People's Republic. During this time talented people have come to the fore one after another and much has been achieved in literature and art work. The success of China's First Arts Festival has fully proved the point.

However, while the literature and art circles are increasingly thriving, problems such as the mechanics of management, the principles governing theatrical performances, the theory of literature and art, and the appraisal of literature and artistic works have evoked endless controversy. If the controversy goes too far, there will be potential trouble and even danger. Wang Meng said: Generally speaking, writers and artists are relatively sensitive and often get excited. Literary and artistic phenomena are multifarious and controversy over literature and art was always violent in the past, that is why the world of literature and art has always been an area where controversy is more bitter than other areas. It seems controversy makes the situation somewhat unstable, but if it is properly handled, we will be able to promote what is beneficial and abolish what is harmful and to avoid greater fluctuations and vacillation.

He continued: In the world of literature and art in which the new structure is replacing the old, many set patterns have been thrown to the winds, many new relations have not yet been smoothed, some regulations are not perfect, and there are many difficulties that must be overcome in the work of managing literature and art groups. Such temporary "disorder" is inevitable. In terms of the controversy in the academic sphere, we must guide it in accordance with the principle of "Let a hundred flowers blossom and a hundred schools of thought contend."

Wang Meng pointed out: The Ministry of Culture will increase its "transparency." He hopes to be able to report on his work to people's congress delegates and the CPPCC members, have dialogues with artists and actors and render an account of the work, plans and difficulties of the Ministry of Culture to the public by means of the news media in an effort to win understanding and support from people of all walks of life. He stressed: The Ministry of Culture must be turned into a healthy and stable factor in the cultural work of our country and must



cast away obstacles from "Left" and Right so that vast numbers of literature and art workers will be able to unite harmoniously on the basis of the party's basic line in the initial stage of socialism.

**Reform Is the Main Aspect of the Ministry of Culture's Work [subhead]**

Wang Meng held: The key to the reform of the cultural structure lies in solving two problems: 1) Properly handling the relations of the departments concerned of the government with some cultural organizations including theatrical groups; and 2) reforming the labor and personnel system relating to cultural and literature workers.

He continued: At present government departments responsible for cultural work make everything their own business, ranging from theatrical performances to weddings and funerals of writers and artists. Such a structure must be reformed without delay. He envisaged that through reform, cultural and theatrical groups will become social organizations which are relatively independent in art and management and government departments responsible for cultural work will simply be charged with management according to law and guiding the smooth development of cultural undertakings by means of public opinion and financial support.

Speaking on the labor and personnel system, Wang Meng noted: When artists are all put in the category of "state cadres," there is no essential difference in the treatment between those who appear on the stage and those who do not, between those who put on good performances and those who put on bad performances, between outstanding actors and actresses and ordinary ones, between actors and actresses who are at their zenith and those who are not, and between excellent artists and common art workers. All this dampens the enthusiasm of artists. He continued: The literature and art fields are full of competition, and equalitarianism is not tolerated. We must draw the mechanism of competition into the literature and art fields and must break "iron rice bowls" and put an end to the practice of "everybody eating from the same big pot" and overstuffed administration. We must promote the growth of the cream of actors and actresses, support the production of outstanding literature and artistic works, and encourage the superior and abolish the inferior so that the whole cultural and literature circles will flourish and be full of vitality.

**Put the Cultural Market in Good Order and Guide the People on Consumption [subhead]**

Referring to those video showing centers, book stalls, ballrooms, and playing grounds in cultural palaces which can now be seen everywhere from the south to the north of our country, Wang Meng pointed out: "We must relax control over them and also put them in good order."

After reviewing several relapses on the question of how to deal with dancing parties with business licenses, Wang Meng said: This is a question which has long defied solution. Dancing was not prohibited during the Yanan years and in the 1950's but afterward dancing was not allowed because it was regarded as "revisionist wares" and "Right deviation." In recent years dancing parties with business licenses were sometimes banned and sometimes allowed. Until May 1987 the Ministry of Culture, the Ministry of Public Security, and the State Administration of Industry and Commerce jointly issued a circular, declaring that control over dancing parties with business licenses must be relaxed and efforts must be made to put them in good order. Facts in the past 6 months show, he continued, dancing parties with business licenses are welcomed by the old, the middle-aged and the young and no problems have arisen.

Wang Meng said: We must satisfy the ever growing material needs of the people as far as possible. A more colorful cultural market will guide the people to increase their cultural consumption and enhance their cultural accomplishment. In the new year, he continued, the Ministry of Culture will further study the problem of relaxing control over the cultural market and putting it in good order. Being Both Minister and Writer and Writing Novels Is Good for Work [subhead]

When asked whether he still has time for literature creation since he became Minister of Culture, Wang Meng said candidly: "This is a heavy loss for me but I will do my best to spare time to write something." In the 1 and 1/2 years since he assumed office, Wang Meng has published some short stories and a collection of poems and written a number of literature and art commentaries, and essays.

Wang Meng said: If I can properly handle the relationship between my literature creation and official business, it will not hinder my work but will do me good in four ways: 1) I will be forced to raise my work efficiency and improve my work methods. I will not be able to arrogate too much power to myself and will bring the role of other comrades into full play. 2) I will be able to pursue new experience and attain a new realm of thought for life, work, and literature and art. 3) I will always be able to keep in contact with readers and other writers and always appear in public as a member of the literature and art circles. 4) After a busy day of work, writing in a tranquil mind is a way of relaxing myself and detaching myself from reality, probably it can help somewhat to avoid mistakes in work which often result from impatience and day-to-day contradictions.

Wang Meng disclosed that he has a special "ability" to quickly enter the realm of literature creation. When he is on a business trip, he can start writing 40 minutes after he has left a plane. And he can keep on writing for 2 hours after just a short rest when he returns home from

office work. This "minister from among the writers" said to our reporters: I will always appear in public as a colleague and friend of cultural and literature workers.

**State Council Meeting on Housing Reform**  
*HK210711 Beijing RENMIN RIBAO*  
*in Chinese 19 Jan 88 p 1*

[Report by Lu Mu (7627 3668): "Reform of Housing System To Be Quickened"]

[Text] The first national housing system reform work conference held by the State Council ended on 18 January in Beijing. The conference pointed out that the reform of the housing system is an important part of the economic structural reform in our country and is a new job that needs creative effort. The holding of this conference indicated that the housing system reform in our country had entered a new stage of being carried out incrementally in all cities after reform experiments were carried out in a few cities. The conference arranged this year's "housing reform" work and required local leaders at all level to implement the instructions of the party central leadership and the State Council and actively advance the reform of the housing system through deepening their understanding, boldly participating in reform practice, and carefully planning their work in light of the unified arrangements and policies.

At this conference, the participants listened to and studied the relevant instructions of the leading comrades of the party Central Committee and the State Council, summed up and exchanged the experience that had been gained from the "housing reform" experiments over the past few years in some cities, and formulated an initial plan for carrying out the housing system reform in the whole country in an incremental way.

During the conference, the State Council held a special meeting to listen to the briefings on the housing reform work conference and to discuss the nationwide housing reform program. Acting Premier Li Peng chaired this meeting. He and Vice Premier Yao Yilin gave important speeches at the meeting.

Chen Junsheng, secretary general of the State Council, relayed the important speeches by Comrades Li Peng and Yao Yilin at the State Council meeting to the housing reform work conference at the closing session on 18 January.

Li Peng said: The housing system reform should be carried out incrementally throughout the country, and active efforts should be made to advance this reform. A major step will be taken this year, with some cities beginning their housing reforms in an all-round way and other cities carrying out partial reforms. Large enterprises with good economic conditions may initiate housing reform ahead of others by relying on their own strength. A major task this year is to explore and discover the reform ways, gain experience, and pave a

smooth way for further reforms. Localities may adopt specific measures suited to their own conditions in light of the unified national policies.

Li Peng stressed that successful housing reform will bring about great economic and social results. This is a major matter that will benefit the country and the people. This will give correct guidance to people's consumption, will help overcome the malpractice in the distribution of housing, and will also promote the hardworking and thrifty spirit and bring about an improvement in the prevailing social conduct.

Yao Yilin said: The reform of the housing system is of great significance and will bring substantial benefit. Shortly after the 3d Plenary Session of the 11th CPC Central Committee, the State Planning Commission studied the feasibility of commercialized housing, but conditions were not ripe then. Now, the enterprises possess more funds, in their own hands, and the conditions have improved greatly. Therefore, we should actively advance such reforms. The enterprises should properly separate their production funds from their welfare funds, bonus funds, and housing funds by depositing them in separate bank accounts so that they will not be used for other purposes.

Gao Shangquan, deputy minister of the State Economic Restructuring Commission and deputy leader of the State Council's leading group for housing system reform, made a closing speech for the conference.

Gao Shangquan pointed out: At present, the housing system reform is a step we must take under the current reform situation and is an irreversible trend. We must seriously study and implement the relevant instructions of the party central leadership and the State Council and adapt our thinking, our organizations, and our work to the changing situation and the new tasks. We must work actively and take the initiative to fulfill this important and arduous historical mission.

He emphasized that we must not only be confident and enthusiastic about the housing reform but must also have a scientific and realistic spirit. We should hold an overall viewpoint, bring the housing reform into line with the overall economic reforms and properly coordinate and advance the reforms in various fields. This year, the main task of the economic structural reform is to establish and improve the contracted management responsibility system in enterprises in light of the general objective of developing the socialist commodity economy and deepening the reform of the enterprise management systems. At the same time, we will also reform the investment, materials distribution, foreign trade, finance, and taxation systems and will take a new step in the aspect of reforming the housing system. Thus, the housing system reform must be brought into line with the overall reform arrangements and must keep pace with the overall reforms.



Gao Shangquan also gave a detailed explanation of the housing reform plans for various provinces, municipalities, and autonomous regions in the near future and of the specific policies on the financial sources for the housing reform. He required that all local authorities strengthen propaganda and education so as to win social support for the housing reform.

Chu Chuanheng, vice minister of urban and rural construction and environmental protection and deputy leader of the State Council's leading group for housing reform, revealed the arrangements for the incremental reform of the housing system in various cities in the next few years.

The conference discussed and decided on the tasks of this year's housing reform work, which mainly include the following points:

—Cities which have already worked out a plan for housing reform should continue on this track and get as much experience as possible through settling the new problems.

—All-round housing reform should begin in state-designated test cities and those named by provinces (regions and municipalities) to try out the reform.

—In general, all provincial capitals should start a limited housing reform, although they are not required to carry out all-round reform in the aspect of housing. They should then accumulate experience and lay a good foundation for further reforms.

—Some large enterprises in various cities may start reform ahead of others; they may determine such reform measures as fixing the rents for new houses and increasing the rents for old houses in light of their own conditions.

—Provincial (regional and municipal) governments can select one or two county towns to test the reform.

**Housing Reform Plan Garner Popular Support**  
*OW210507 Beijing XINHUA in English*  
0848 GMT 20 Jan 88

[Text] Beijing, January 20 (XINHUA)—Today's "ECONOMIC DAILY" said, China's housing reform involves risks, but the plan is likely to be popular.

The reform involves increasing the existing nominal rent charges and subsidizing wage earners for the increase, the paper explained, adding Bengbu in Anhui Province, Yantai in Shandong Province and some other cities are now trying out the plan.

"The new system will require people to pay more for their housing," the paper said, "and unscrupulous officials will not be able to use their power to acquire additional apartments."

China now has 95 million wage earners which will require housing subsidies of 25 billion yuan (6.8 billion U.S. dollars) a year when the reform is introduced nationwide, so some experts are wondering where the state will get enough money to cover the expense.

One expert said the government already spends 30 billion yuan (8.1 billion U.S. dollars) annually to build, maintain and subsidize housing built by the state or employers, so part of this money could be used to fund the reform, and old apartments sold to partially recover construction costs.

Local governments in Yantai and Bengbu have increased rent charges ten-fold and are providing subsidies to each wage earner equivalent to about 23 percent of a month's salary.

According to earlier reports, some people were worried that under the new system half the [word indistinct] families would have to pay up to ten yuan (2.70 U.S. dollars) a month more for rent.

Today's "ECONOMIC DAILY" report said people have gotten used to the reform, and there have been no complaints lodged with higher authorities.

Popular support for the reform was evident when only three months after the plan was introduced in Yantai, Mayor Yu Zhensheng was unanimously re-elected, the paper said.

In a Shenyang machine-building company where the reform is being tried out, one retired official decided to withdraw an application for an additional room for one of his children.

Another case involved nine workers at a pharmaceutical plant in the same city, who cancelled applications made for additional apartments.

"People are still worried about the reform," the paper said, "because leading officials with spacious housing and small families are likely to oppose the reform."

The article quotes one Beijing factory official as saying: "The reform is a good thing, but in Beijing, I think it will be difficult to carry out, because so many officials now illegally occupy housing for their children."

**Skyrocketing House Prices Affect Reforms**  
*HK191257 Hong Kong ZHONGGUO TONGXUN SHE*  
in Chinese 0954 GMT 15 Jan 88

[Article by Yi Lan (0122 5663): "Skyrocketing Mainland House Prices Affect Housing Reforms"]

[Text] According to recent mainland press reports commodity house prices have skyrocketed by a staggering margin. At the "Conference for 11 East-China Cities To Discuss Housing System Reform" held in Wuxi toward

the end of 1987, some of the participants raised a warning: "It is difficult to check the drastic rise in house prices. They have gone far beyond the bearing capacity of the urban population and become a hidden danger for housing system reform."

Mainland sources say that since 1984, mainland house prices have gone up by 15 percent annually, with an even larger margin in big cities. By the end of 1987, six-storied residential houses in Shanghai had risen to 1,600 yuan and higher per square meter. Some 80,000 to 90,000 yuan was being asked for a small unit with a floorspace of 50 square meters. In Nanjing, house prices rose to 1,200 yuan per square meter, 10 times the price in 1980. It is the same in Shenzhen where house prices have gone up by 50 percent over the past 6 months. Take the Nanyang Building for instance. Prices for units there have gone up by more than 30 percent since it was built 3 years ago.

Many factors account for the skyrocketing house prices. Apart from the rise in prices for building materials, many authority departments have apportioned "exorbitant taxes and levies." These departments always regard the building of commodity houses as a windfall and take advantage by apportioning fees of every description such as the "fee for residence registration," "fee for public security," and "compensation for noise pollution." They add up to more than 50 items, with the volume of such fees equal to the building costs.

The mainland has pursued a low-rent policy over the past 30 years or so. Rent used to take up only 5 percent of total family income. That policy benefited the urban population for years. Meanwhile, its malpractices were also revealed throughout the years. Because rental income could never cover maintenance costs, financial allotment became the only means of building new houses, while this, in turn, was quite beyond the state financial resources. As a result, the housing problem in this big country with a large population has become increasingly serious with each passing year. In April 1985 the Chinese authorities implemented "marketing of houses with subsidies" in Changzhou on an experimental basis. By payment of one-third of the price for a unit the individual buyer could become the property owner. However, implementation of this measure came to a halt toward the end of 1985 because it had failed to embody the policy of turning houses into commodities with too large a share of the subsidies. Beginning 1 August 1987, the State Council leading group for housing reform decided to attempt a new policy of "raising house rent, changing the method of housing subsidies, and encouraging the selling of new houses," by raising the rents by six times, while increasing the wages of workers and staff by 23 percent on their basic wage. However, the increase would not be given in cash, but in "housing coupons," which could only be used for rent or house purchase and not for any other consumption purposes. In this way small families with little labor force but occupying spacious houses will have to pay more for housing, while those larger families with a larger labor

force living in crowded houses will increase their house purchasing power. This policy may play a regulating function in housing supply and demand, but we will wait and see whether this experiment will spread.

Worthy of note is the fact that all kinds of experiments in turning houses into commodities are now challenged by the skyrocketing house prices. If the unhealthy trends continue whereby various departments arbitrarily apportion fees on houses, it will be very difficult to check the momentum of the skyrocketing house prices. Research in many cities shows that most purchasers of newly built houses are enterprises or institutions and not individuals. They purchase the houses and then rent them to their employees. Therefore, in substance, the reform has made little change.

**Professionals Discuss Draft Enterprise Law**  
*HK201521 Shanghai SHIJIE JINGJI DABAO*  
*in Chinese 21 Dec 87 p 13*

[Report by contributing reporter Li Yonghong (2621 3057 4767) and reporter Mou Jun (3664 6511), edited by Lu Yi (7120 0001): "SHIJIE JINGJI DABAO Beijing Office Invites People From All Walks of Life to a Discussion Meeting on the Draft 'Enterprise Law'"]

[Text] The SHIJIE JINGJI DABAO office in Beijing held a discussion meeting last week on enterprise law to discuss questions concerning the drafting process of the "Enterprise Law (Draft)," the background of the formation of the draft, how to appraise the process, and what line of thinking and guiding ideology to be followed in enacting an enterprise law.

As China's enterprise reforms deepen, increasingly more people in decisionmaking and academic circles have attached such great importance to the enterprise law, a bill that has caught considerable public attention that it has reached the extent among the general public that the enterprise law should be subject to discussion among the people throughout the country.

Present at the meeting were Xu Hua and Zhuang Mu of the State Council's Legal System Bureau, who participated in the drafting of the enterprise law; Wu Gaosheng and Chen Guangjun of the NPC's Legal Work Commission; two persons from the community of entrepreneurs, namely, Zhang Shouqing, director of the Beijing No 5 Computer Parts Factory, and Zhao Liguang of the Beijing Association of Entrepreneurs; five persons from economic theoretical circles, namely, Hong Xiaoyuan and Zao Fengqi of Beijing University's Economics Department, Zhang Xiaoming of the Economics Institute of the Chinese Academy of Social Sciences, Li Su of the Beijing Academy of Social Sciences, and Shen Sibao of the Beijing Foreign Economic Relations and Trade University; and two persons from media circles, namely, Du Feijin of RENMIN RIBAO's Theoretical Department and Zheng Hongliang of the magazine JINGJI YANJIU.



The process of drafting the enterprise law can be divided into two stages; the first stage lasted from 1980 to 1984. Around 1980, to regulate and standardize the behavior of industrial enterprises under the system of ownership by the whole people, we formally planned to enact a "Factory Law." At that time, since the rural economic structural reform was being carried out in an overall way and the experiments in reforming the urban economic structure had just started, things changed rapidly, and experience had yet to be summed up, enactment of the "Factory Law" had to be temporarily shelved. In April 1983, in accordance with the needs of practice, the CPC Central Committee and the State Council promulgated in succession four sets of economic laws and regulations, including the "Provisional Regulations Concerning the Work of Directors of State-Owned Enterprises" and the "Provisional Regulations of the CPC Concerning the Work of Grass-roots Organizations of Industrial Enterprises" to guide enterprise reforms; these functioned as enterprise law.

The second stage covers the period from 1984 to the present. In February 1984, the central authorities decided to start the preparatory work of drafting an "Enterprise Law" and conducted extensive investigations in dozens of provinces and cities, including Shanghai and Zhejiang. During this period, the main problems confronting us in enacting the law are how to expand the decisionmaking powers of enterprises; how to properly handle the relationships between the party organization, the government, and the trade union in an enterprise; how to promote a change of functions in party organizations; and how to embody the requirements for strengthening the party organization, the government, and the trade union. In April 1984, in accordance with the needs of the practice of economic restructuring, the Central Committee and the State Council jointly issued Document No 15 and decided to try experimentally a system under which a factory director (manager) assumes full responsibility in Beijing, Tianjin, and four other cities.

In July 1985, in the light of the development of enterprise reforms, the CPC Central Committee and the State Council began drafting provisional regulations on factory directors of state-owned enterprises, on grass-roots party organizations, and on the staff members and workers congresses and reshaped the enterprise internal leadership system. In September 1986, the three provisional regulations were officially promulgated; immediately after that, the State Council issued a supplementary circular concerning the regulations.

During this stage, to give enterprises more decisionmaking powers and to invigorate enterprises, the State Council has promulgated nearly 80 laws and regulations and rules concerning enterprise management structural reform, including the 10-article regulation on expanding the decisionmaking powers of state-owned industrial enterprises, the 14-article regulation on promoting enterprises' technological progress and invigorating large and

medium-size state-owned enterprises, and the regulations on banning extortion of enterprises, on forming lateral economic associations, and on deepening enterprise reforms. At present, the State Council is steeping up efforts to work out economic laws and regulations concerning enterprise contract management, leasing, and shareholding system to promote enterprise reforms.

One appraisal of this process made at the current discussion meeting is that the enterprise law reform process beginning in 1980 and the numerous laws and regulations promulgated during this period embody both the development of the reform of China's state-owned enterprise management structure and their internal leadership structure and the evolution of the line of thinking in the course of enacting the enterprise law. In other words, with regard to the enterprise management structure, a way should be found to separate the functions of enterprises from those of administrative organs, to expand the decisionmaking powers of enterprises, and to invigorate large and medium-size state-owned enterprises and, as far as the enterprise internal leadership structure is concerned, a way should be found to properly handle the relationships between the party organization, the government, and the trade union, to implement the factory director responsibility system, and to determine the central position of the factory director in an enterprise.

Another appraisal is in terms of the current developments of economic and political restructuring, it is highly necessary and imperative to deepen the reform and to make the structure of the economic legal system based mainly on the enterprise law more perfect and coordinated.

Meeting participants maintained: The main purpose of enacting an enterprise law is to affirm what has been achieved in the reform, to give impetus to the current reform process, and at the same time, to avoid setting up barriers to the next stage of reform by means of legislation. Therefore, we should pay close attention to the link of "state authorization" and put the priority of legislation work on how much decisionmaking power an enterprise should be given. Purposefully avoiding the concrete contents of enterprise management power in the course of legislation may help separate government from enterprise functions and promote "separation of two powers" and also help refrain from excessively encroaching upon the rational rights of property ownership when we are not sure of success in the reform. This is a relatively stable and secure way of doing things. We must clearly reestablish the guiding ideology on enacting the enterprise law rather than follow the previous thinking on legislation.

In the last 8 years of reform, in the relationship between enterprises and higher competent authorities, China's enterprise reforms have been focused on giving enterprises greater decisionmaking powers and untying their bounds and on the question of how to harmonize the relationship between the party and government, the

reforms have been focused on enabling the factory director to assume overall responsibility. The enterprise legislation in the previous stage followed such a line of thinking. Under the guiding thinking of "writing down whatever laws are considered mature," the "Law on Industrial Enterprises Under the System Ownership by the Whole People" was drafted and worked out when discussion on ownership was inadequate and trade plans were simply nonexistent. However, the current reform practice has broken through the former line of thinking and battered down the existing guiding ideology on enterprise legislation.

Some people pointed out: The macroscopic control of enterprises by the state and the relationship between the government and the enterprises are no longer a separation of two powers in a narrow sense and a matter of how enterprises are separated from state organs. The current reforms have touched a series of problems of more penetrating proportions, such as how the government and administrative organs will separate ownership from the power to readjust and control and administrative power from property rights. Enactment of the enterprise law must help guide the state and the enterprises in eventually building a interrelationship commensurate with the requirements of a commodity economy. An enterprise law must not necessarily be completely identical with reality. What counts in this regard is to see whether it lags behind or anticipates the times. Legislation based on the existing line of thinking and guiding ideology will surely lag behind the times and will hinder the reform from deepening. Legislation based on the reform practice currently going on in-depth will anticipate the times and will help establish the targets of reform and provide room for maneuver in practice. If we say the current reform experience is not ripe enough to codify it in the form of laws, then we had better not enact any enterprise law by just following the existing line of thinking, because the laws and regulations and rules now in force can still readjust the current behavior of enterprises for the time being. This will leave greater room for future reforms.

Other people said: In China's ongoing enterprise reforms, there have emerged some new phenomena incompatible with the enterprise law enacted in accordance with the existing line of thinking, such as the problem of state-owned enterprise bankruptcy, that is, under the system of ownership by the whole people, who will become insolvent; the problem of whether enterprises under the system of ownership by the whole people should be allowed to gradually evolve into enterprises under the system of ownership by the collectives, a problem emerged as the result of a demand to differentiate state funds from enterprise funds and to put them under management of separate accounts as the contract system develops; the problem of takeovers and merging of enterprises under the system of ownership by the whole people; and the problem of disappearance of the state's property rights in the course of the reform under which tax is separated from profit, a reform which has

just been tried experimentally. According to the reform, apart from levying taxes according to state-controlled tax rates, the state will also tax the enterprises' property rights in the form of extra dividends, and different legal entities are allowed to buy each other's stocks and to form new legal entities with their own funds and they are entitled to receive dividends and extra dividends and moreover, the administrative organs formerly managing the enterprises' property rights on behalf of the state will thus become new legal entities, such as the case of China's auto industry. These phenomena, coupled with the theoretical abstraction, that is, the state regulates the market, and the market guides enterprises, all indicate that in the current reform practice, people have deepened their understanding of "separation of two powers" based on the former line of thinking of separating the government and its administrative organs from the enterprises. As the reform and the commodity economy develop, it is necessary to clearly define the relationship of property rights between the state and the enterprises, to redefine enterprise standards and the status of enterprises' legal entities, and to reshape China's enterprise system.

Meeting participants unanimously agreed that we should no longer follow the previous line of thinking on legislation and enact an enterprise law from the angle of ownership, trade, or difference between town and country and from other traditional one-sided guidelines. The development of a commodity economy calls for a rational structure of enterprise organizations, a merging of existing different enterprises, and a most optimal distribution of major elements and resources of enterprises. If we act in accordance with the important problems expected to be solved by the previously enacted enterprise law and with the traditional legislation guiding thinking and practice, the more new phenomena emerge in the development of the reform and the commodity economy, the more difficult the enterprise law will be able to accommodate, summarize, and regulate them; on the contrary, the law may possibly hinder the reform from deepening and cause dislocation in the different forms of ownership and reforms in all trades.

Through 8 years of enterprise reforms, with the elimination of the traditional ossified enterprise management patterns, a standard enterprise system prevalent in the commodity economy abroad has been introduced and characterized by a clearly defined relationship of property rights. This has greatly inspired us in deepening the reforms in state-owned enterprises and readjusting the line of thinking and guiding ideology on state-owned enterprise legislation. Based on this line of thinking, a state-owned enterprise is to be converted into a wholly state-funded limited-liability company. Hence, distribution according to share capital is introduced into the traditional distribution according to work under which the interests of the state, the collectives, and the individuals are coordinated. This also involves the contradiction between economic development and economic



reform and its reconciliation and the contradiction of standardization reform and diversification reform and its reconciliation.

At present, new advances have been made in people's understanding of separation of ownership from management power. As the most feasible form to embody separation of ownership from management power, the contract managerial responsibility system has produced tangible results. Since an enterprise internal leadership system has been clearly defined, a new line of thinking on deepening the reform of state-owned enterprises has gradually taken shape. The main manifestations are that the state has purely the right to own enterprises and enterprises under the system of ownership by the whole people have broad power in operations including the rights to possess, use, and dispose of property; the state has set up property management committees or property management departments that exercise, on behalf of the state, the ownership and property rights of state-owned enterprises or state-funded enterprises and the state and its administrative departments exercise the powers to administer and to regulate and control the market, economic decisionmaking, and economic operations; through contract-oriented markets and committees in charge of contract-related matters, the government has introduced an element of competition into contracting, gradually standardized contracting methods and procedures, ensured, through different forms of contract-based management, the central and local financial revenues and investment returns, and given state-owned enterprises greater powers in operation and decision-making in the form of contracts that have legal effect. At present, the contradictions between reform and development and between being standardized and being diversified have begun to be reconciled and solved precisely in accordance with this line of thinking. At the same time, this line of thinking is in itself improving and deepening.

Entrepreneurs participating in the meeting pointed out: Enacting an enterprise law in accordance with the former line of thinking may possibly halt enterprise reforms from deepening. Although the ongoing contract managerial responsibility system and the system of "two guarantees and one link" do not explain the relationship of property rights as clearly as the enterprise system prevalent in the commodity economy abroad which is based on such a relationship, they have managed to greatly arouse the enthusiasm of enterprises because under the systems enterprises are given greater decisionmaking powers in handling their profits and the relationship between enterprises' economic results and their employees' interests are clearly defined. If we follow this line of thinking, state-owned enterprises will become increasingly invigorated.

All participants noted: The key to expressing the line of thinking on deepening enterprise reforms, using either the relationship of property rights or the principle of

"separation of two powers," lies in smashing the traditional ossified enterprise management patterns, invigorating enterprises, and helping enterprises become commodity producers and handlers that assume full responsibility for their profits and losses and have full authority for management. Through several years of practice, the line of thinking on the reform of state-owned enterprises based on the principle of separation of two powers, with contract-based management as the main form, has been improving and deepening. Based on this line of thinking, we may probably be able to find out, through summing up the practice of the traditional economic structure and Western standard economic patterns, an enterprise management system and enterprise leadership system with Chinese characteristics in a socialist country practicing a planned commodity economy. Therefore, currently, our country's guiding ideology on enacting the enterprise law must be discarding the existing framework, embodying the new line of thinking for China's current and future enterprise reforms in a concentrated way, and planning and readjusting the economic legal system and legal contents in a unified way, centered on this new line of thinking.

After the guiding ideology for an enterprise law is established, specific explorations can be made on the forms of enterprise legislation. We may use British and American legal systems as reference and, while writing legal clauses, we should emphatically stipulate what enterprises should not do and refrain from laying emphasis on what they should do. After the new line of thinking on reform is manifested in legislation, specific clauses should not be too detailed. Instead, we should leave enough room for future reforms. Attention should be paid to the difference between the enterprise law and other laws, such as company and bankruptcy laws, and to their coordination. Meanwhile, we may consider separately working out related public laws in regard to railroad, aviation, and petroleum, and other monopoly industries. As far as ordinary enterprises under the system of ownership by the whole people using state investment are concerned, we can standardize and regulate their behavior through an enterprise law.

**Paper Cites Entrepreneurs on Enterprise Law**  
HK210327 Beijing RENMIN RIBAO  
in Chinese 9 Jan 88 p 2

[Report by staff reporters Lu Mu (7627 3668), Pi Shuyi (4122 2885 5030), and Du Feijin (2629 7378 6651): "Entrepreneurs Speak on 'Enterprise Law'—Summary of Forum of Some Plant Directors and Managers in Beijing Sponsored by RENMIN RIBAO Economic Department"]

[Text] Editor's note: The in-depth development of the enterprise reform calls for the promulgation of the "Enterprise Law." The "State-owned Industrial Enterprise Law of the PRC" which has been in preparation for many years will contain some definite provisions on some major issues, such as the establishment, change,



and termination of the enterprise, the fundamental tasks, rights and duties of an enterprise, its leadership structure, the nomination of the plant director, and its democratic management. Thus this law will help to put enterprise operation and management on the basis of legal system. This is a major event in China's economic life. People of all circles throughout the country, especially entrepreneurs, have shown a great interest in this law, and they all have their own wishes and views on it. In this connection, all are welcome to air their views so that the departments concerned can use them for reference. [end editor's note]

On 4 January, the Economics Department of this newspaper invited directors and managers of some plants and enterprises in Beijing to attend a forum on the formulation, promulgation, and implementation of the "Enterprise Law." The following are the minutes of this forum.

**The In-depth Development of the Reform Presents the Urgent Need for an "Enterprise Law" To Help Consolidate the Achievements of the Reform. [subhead]**

Xu Xiaochun (director of the Beijing Printing and Dyeing Mill): The enterprise is a cell of the national economy. In order to further invigorate this cell, we badly need to formulate an "enterprise law" to provide a legal guarantee of the enterprise's status as a legal entity. The "Enterprise Law," as the term suggests, serves as the fundamental law to govern the enterprise's activities. The "Enterprise Law" which clearly defines responsibilities, rights, and interests provides guidance to the operation of the enterprise. By following this guidance, the enterprise can ensure that its behavior is in keeping with the law and its legitimate rights and interests will be securely safeguarded and free from interference or violation.

Li Dalin (director of the Beijing Builder's Machinery Plant): The conditions for formulation and promulgation of the "Enterprise Law" are already ripe. The reform in the past 9 years has scored great successes. The 13th CPC National Congress has opened up vast vistas for furthering the all-round reform. And the plant director responsibility system will be implemented throughout the country this year. As the achievements of the reform badly need to be incorporated in the law, the sooner the "Enterprise Law" is promulgated the better. If this law is not enacted, it will be difficult for the status of the plant director as the representative of the plant which is a legal entity to be promptly guaranteed, and for the plant director to establish his leading position in the enterprise, and thus the enterprise's operation and development will be affected.

Zheng Huanming (manager of the Beijing Auto Industry Corporation): We are now implementing on a large scale the plant director (manager) responsibility system. If we still do not have any law to guide our acts, our plant directors can hardly perform their duties properly. It takes time to improve a law or a set of regulations. We

cannot expect the "Enterprise Law" to be perfect in the very beginning since this is impossible. We must take the actual needs into consideration and seize the opportunity to promulgate the "Enterprise Law." Defects of the law, if any, can be eliminated step by step in practice.

**It Is Hoped the "Enterprise Law" Can Ensure the Integration of the Duty, Power, and Interests of Entrepreneurs and Thus Contribute to the Rise of an Entrepreneurs' Stratum [subhead]**

Xu Xiaochun: According to the principle of separation between the ownership and management of the enterprise, the plant director as enterprise operator should be vested with adequate power. Duty, power, and interests must match each other. Without adequate power, the plant director can hardly assume full responsibility. What power does the plant director need? In brief, he needs the power over personnel employment, finance, material resource allocation, production management, supply, and marketing. As a matter of fact, the power over personnel employment is of primary importance. If a plant's deputy director continues to be nominated by the higher authorities, then he will say: I am responsible to the higher authorities rather than to the plant director. In an enterprise's practical work, the deputy director is of great importance indeed to the director. Therefore, the power to appoint cadres at the deputy director level should after all be left to the plant director. It will also be unfavorable to the plant director's work if he is not vested with the power to reward. Of course, when exercising the power to reward, the plant director not only can but also should solicit opinions among the staff members and workers of the plant, and, if necessary, he can submit recommendations for rewards to the workers' congress for discussion as well.

How to guarantee the enterprise operators' interests is a major question. Although we have made it a rule that a plant director can be paid from one to three times higher than an ordinary worker, actually this rule is difficult to implement in most cases. To be sure, there are many contributing factors. But the key problem is: "Who is going to set the pay scale for the plant director?" Has any plant director been authorized to raise the amount of his own bonus? The superior authorities have never given a definite answer to questions like these only an ambiguous principle on the range of pay. This does not help much. Enterprise operators not only include the plant director but also deputy directors and other middle-level cadres. They are a group of people. If their interests are not duly guaranteed by law, it is unfavorable to our efforts to give full play to the enterprise operators' initiative, the rise of an entrepreneurs' stratum, and the development of the enterprise, and the prosperity of the nation.

Li Dalin: To be sure, the legal responsibilities that a plant director has to undertake must be clearly and concretely defined. However, while setting store by this aspect, we must not overlook another aspect. To be more

precise, stipulations on the power and interests of the plant director must not be too general and ambiguous. My plant manufactures tower cranes. I am nervous whenever a tower crane collapses somewhere, because I am to bear the legal responsibility. On the first day when I took up the post of plant director, a tower crane collapsed somewhere in Beijing. I immediately sent some people to see what had happened there. And we felt relieved only when we found that the accident was not our fault. Others do not worry about things like this, but I do. However, nowadays, nobody likes plant directors. Our social standing is too low and we always have to beg a favor of others before we can have something done. People are always jealous of us whenever we get a little bit more pay. (Xu Xiaochun: Nowadays many plant directors get less pay than their chauffeurs.) I hope the "Enterprise Law" will justly give support for plant directors and help to improve their social standing and create an environment necessary for fostering a large number of entrepreneurs.

Zheng Huanming: All of us are quite clear about plant directors' social standing in the past. Honestly speaking, we are in fact like some cheap "labor." Any little girl sent by the higher authorities can give a plant director a good scolding, and she can call him to her office by just a phone call. Some leading entrepreneurs abroad earn even more than their head of state. We are not demanding this. But, after all, entrepreneurs deserve a fair social standing—they should be have the standing they deserve.

An Qingheng (deputy director and chief engineer of the Beijing Gear Wheel Plant): There is no doubt that plant directors' legal responsibilities should be clearly defined. But it is also necessary to correspondingly define the relations between the enterprise's operational efficiency and the enterprise operators' interests. Our concept needs to be updated before enterprise operators' social standing can be improved and, in particular, their interests can be guaranteed. Nowadays, many people are convinced that individual households are fully justified in earning more money because they work hard; and those who run township and town enterprises also deserve more money because they have made substantial contributions. However, when a director of a large- or medium-sized enterprise who is running his plant well is paid a little bit more, there are strong objections. (Li Dalin: When my company decided to give me a bonus of 700 yuan, I began to think about something. Should I give up part of my bonus to some people? Should I give some to the school or the kindergarten?) (RENMIN RIBAO Economics Department Director Ai Feng: You deserve more. Just take it. I will file a news item on this.) (Zheng Huanming: I advise you not to take it, Dalin. Don't take it even if Comrade Ai promises to file a news item for you. This involves two problems: First, the higher authorities have to explain it in detail; and second, the mental reaction of the staff and workers must be taken into consideration.) The money reward will not serve as an encouragement so long as our concept is not updated. Such being the case, we had better not take it.

Now That a Law Is Drawn Up To Regulate "Daughters-in-Law," There Should Also Be a Law To Regulate "Mothers-in-Law," "Sisters-in-Law" and "Brothers-in-Law." [subhead]

Li Dalin: For plant directors, the "Enterprise Law" actually has dual significance: on the one hand, it guarantees plant directors' legal status and their legitimate rights and interests; on the other hand, it requires them to act strictly according to the law. In the past, the post of plant director was a difficult job. The difficulties did not arise from the enterprise's internal affairs but its external problems. Now the enterprise's status is similar to that of a "daughter-in-law" in a family. Since we have a law to regulate "daughters-in-law," it will be unreasonable if there is no appropriate law to regulate "mothers-in-law," "sisters-in-law," and "brothers-in-law." In other words, we must also formulate some other laws to match the "Enterprise Law." The competent department administering enterprises and other departments directly or indirectly relating to enterprises should also be regulated by laws. The case is like an incomplete traffic network. While other highway junctions remain traffic bottlenecks, a single completed overpass alone cannot ensure smooth traffic. Traffic jams can only be eliminated when overpasses are built at all road junctions.

Zheng Huanming: In establishing a legal system we need a backing of law. Just having an "Enterprise Law" is not enough. Who will take the responsibility if an enterprise suffers loss just because of the higher authorities' flagrant interference? Enterprises just worry about arbitrary instruction from some individual leading cadres. The present practice is that the "mother-in-law" is to make the decision and the "daughter-in-law" is to carry out the order; if the project is successful, the success will be attributed to the superior's correct leadership; otherwise the enterprise is to be blamed. Drivers must obey traffic policemen's instruction while the policemen must abide by traffic regulations. Faults on the part of the traffic police cannot be taken for granted. Only when other supporting laws are enacted will there be a more relaxed environment favorable to the development of enterprises.

Hu Jian (manager of the China Movie Film Distribution and Projection Company): The basic articles of the "Enterprise Law" are equally applicable to our cultural enterprises. But it is also a fact that cultural enterprises have their own special characteristics. The nature of cultural enterprises has not been clearly defined lately, and this has caused many contradictions in practical work. For example, some junior staff members of our company asked: Are our cultural enterprises actually "cocks" or "hens"? When the stress is placed on the function of "crowing"—the cultural enterprise's duty regarding social benefit [SHE HUI XIAO YI] and spiritual civilization, it is seen as a "cock," and, when the stress is placed on "egg laying"—its function regarding economic results and the accumulation of fortune for the



state, it is seen as a "hen." Cultural enterprises have to face even more "mothers-in-law," every one of whom can give orders. Enterprises enjoy very little decision-making power, but they are required to depend on themselves. We hope that further efforts will be made to formulate an "enterprise law" to cover all enterprises, including cultural enterprises.

**The Key Link of the "Enterprise Law" Lies in Implementation, and We Do Not Want To See That Nobody Cares About It After Its Promulgation. [subhead]**

Zheng Huanming: Quite a few economic laws and regulations have been formulated in the past few years. This is a great achievement in the development of the economic legal system. For some laws and regulations that were promulgated, some departments were authorized to see that such laws and regulations were implemented. For other laws and regulations, it was said that they are universally applicable but actually nobody cares about them. We hope that this will not happen to the "Enterprise Law." For example, we hope that real action will be taken to guarantee enterprises' legitimate rights and interests and to protect enterprises' standing and interests. Now that we are to enact the "Enterprise Law," we still need to draw up a procedure for implementation of this law, so that it can be earnestly implemented.

**Regulations on Price Ceilings Issued**  
OW202046 Beijing XINHUA in English  
1654 GMT 18 Jan 88

[Text] Beijing, January 18 (XINHUA)—State Council, China's highest governing body, has issued provisional regulations on price ceilings of important means of production, and for communications and transport.

The 20-article regulations came into effect as of January 11. The aim at stabilizing market prices and ensuring China's economic reforms proceed smoothly.

According to the regulations, the prices of oil, gas, electricity, steel, pig iron, timber, coal, rubber, farm chemicals and other major materials, as well as shipping, railway and air transport have to be under the unified control of the state administration of commodity prices. No unauthorized changes are allowed.

The regulations also call for less circulation links and direct contacts between producers and cargo owners.

Purchase of production raw materials outside the state plan should be conducted within the designated markets for means of production.

**State To Raise Price of Farm Products**  
OW210901 Beijing XINHUA in English  
0729 GMT 19 Jan 88

[Text] Beijing, January 19 (XINHUA)—China will raise the purchase price of grain, edible oil and sugar in April in the hopes of encouraging farmers to grow more, the "FARMERS' DAILY" reported today.

But the sales prices for the rationed supplies of these to urban dwellers will remain stable, according to earlier reports.

Even though production has gone up during the past two years, grain output is still under the all-time record set in 1984, and in some areas, output does not meet demand, the paper said.

Because the state pays less for grain than for other crops, it said, farmers are less interested in growing grain.

According to the paper, the purchase price of 50 kilograms will go up 1.50 yuan for wheat; two yuan for rice in north and northeast China; 1.50 yuan for corn in Jiangsu, Anhui, Hubei and Sichuan Provinces, and two yuan for corn in Guizhou and Yunnan Provinces and Guangxi Zhuang Autonomous Region.

The state will also raise the purchase price of vegetable oil grown on contract to market prices, and will subsidize those farmers who grow sugar cane and sugar beets.

**'Newsletter' on Commodity Price Increases**  
OW150002 Beijing XINHUA Domestic Service  
in Chinese 0123 GMT 12 Jan 88

[Newsletter on Commodity Prices by XINHUA reporters Ji Naifu, Chen Naijin, and Chen Yun]

[Text] Beijing, 12 Jan (XINHUA)—Since the price reform was launched, the ghost of price increases has loomed everywhere and become the most thorny issue in the entire process of reform and opening up, perplexing the state and enterprises, impeding the economic construction, and causing panic among ordinary people from time to time.

This newsletter will brief its readers on the situation of prices as well as views regarding the price reform.

**Price Hike Is Almost Unbearable for Everyone [subhead]**

Reform and opening have enabled the people to understand that it would do no good if prices remained unchanged for several decades. However, even with such understanding, it is still difficult to explain the current price increases.

A ministerial-level cadre said his housekeeper dared not go to the market because she would spend a 10 yuan bill on one trip, which could make her faint.



A 26-year-old young man who graduated from college 3 years ago and earned a 70 yuan salary monthly today cannot afford to have dates because even if he had a girlfriend, he could not find a reasonably priced restaurant.

A postgraduate student spends his 67.5 yuan monthly income on food and clothing and has to borrow money to buy textbooks.

A young couple living in the city, each with a monthly salary of about 70 to 80 yuan, cannot afford to have a baby.

A few experienced middle school teachers have to moonlight teaching after school in order to make an adequate living.

Many enterprises have complained about rising prices for raw and semi-finished materials, while demanding price increases for their own products.

According to records of relevant departments, the last 3 years saw the third and longest peak of price increases following the first period in 1951 during the war to resist U.S. aggression and aid Korea, and the second in the difficult 3-year period from the late 1950's to the early 1960's.

According to a survey by the China Social Survey Department last year, 79.9 % of the people were critical of rising prices.

A State Statistics Bureau sample survey said: Price increases affected 5.1 % of urban and rural residents in 1986, and the figure rose to 5.2 % in the first half of 1987. About 15 % of urban and rural residents could not make ends meet because of price increases. How Much Have the Prices Gone Up? [subhead]

From the 9 years of price reform accompanied by rising prices, people conclude a formula—that is, price reform equals price increases. The formula, though theoretically incomplete, is one drawn by the masses of people.

What are the major steps of price reform taken by the state in the past 9 years? Cheng Zhiping, an authority on prices who is the director of the State Administration of Commodity Prices, gave the following reply: In the 8 years between 1979 and 1986, the state made six major readjustments of prices and lifted price controls on three occasions.

The six major readjustments were as follows:

— The purchase prices of primary farm and subsidiary products were considerably increased, with the increase in grain purchase prices averaging 120 % and the increase in cotton, sugar crops, and tobacco leaves rising by a fairly big margin.

— The prices of mining industry products were increased by 55 %, and those of the raw and semi-finished material industry by 45 %.

— Except for the ration prices of grain, edible oil, sugar, and salt that remained unchanged in urban areas, the prices of other foodstuffs and nonstaple food were increased by 59.8 and 86.2 % respectively.

— The factory and sales prices of such manufactured consumer goods as cotton cloth, aluminum cooking utensils, and bicycles were increased while the prices of chemical fibre, watches, radios, electronic products, and some durable consumer products went down. The balance of the price increases and drops indicates a net increase of about 5 % in the prices of manufactured consumer goods.

— Railway transportation fares were increased 21.6 %, and those of water and air transportation also went up.

— The prices of most import commodities were decided by their agents, and the domestic sales prices of some import goods were increased.

Price controls were lifted for the following products on three occasions:

— Price controls over light and textile industrial products in general, and all small commodities have been lifted.

— A "double-track" pricing system has been introduced to heavy industry, under which the prices of products covered under the mandatory planning are to be set by the state, and those under guidance planning are allowed to float. There is no price control over goods produced outside the plan.

— Price controls over most farm products have been lifted.

Listed above are the major steps taken by the state in price reform over the past years. Last year, however, although no new steps were taken, prices went up on all fronts, with the retail commodity price index rising by over 7 %, of which only about 2 of the 7 % were the results of price readjustment by the central and local governments.

According to statistics released by relevant departments, the retail commodity price index rose an average of 23.6 % in China over the past 3 years since 1984. The figure was much larger in large and medium-sized cities, especially major cities. In fact, every step taken in the price reform was accompanied by price increases in a number of commodities, which were not reflected in the commodity price index.

Where Has the Money From Price Increases Gone? [subhead]

A factory manager confessed that at work he demanded price increases for his own products, but after work complained about price increases of other factories.

Officials of the State Administration of Commodity Prices, regarded as the "culprit" of price increases, dared not identify their working unit on a train during a business trip. As a matter of fact, they were wronged. A deputy director of the administration said: At every meeting, departments in charge of production will demand price increases for their products. In a meeting attended by a dozen departments, the Commodity Prices Administration will have only one "ally," that is, the national federation of trade unions, which represents the workers and staff and is strongly opposed to price increases.

Some departments and enterprises are justified in their demand for a price increase because otherwise they would not be able to get by. This shows that our pricing system is far from becoming a rational one. However, the circumstances are not as bad in other departments and enterprises demanding price increases. They want to increase the prices of their products because of selfish interests.

Where has the money from increased prices gone?

There is a simple answer: Whoever makes the loudest demand for a price increase will get the most benefit. The easiest way for enterprises to increase their "economic efficiency" is through increasing prices, which can bring in an additional 1 million yuan, 10 million yuan, or even more money overnight. Ordinary people, who are the consumers and thus are affected foremost by price increases, become the first victims. They are followed by the state, which spends over 30 billion yuan annually on price subsidies.

The benefit of intermediate dealers should not be ignored either. After the bill of lading is passed around to the dealers, the prices of commodities will increase by a large margin even while they are still in warehouses.

Xiang Jingquan, a researcher of the Finance Ministry's Financial Science Research Institute, has supplied the following information: In the 3 years between 1984 and 1986, for every 100 yuan received from price increases, 75 yuan were offset by the rising costs of enterprises; 15 yuan were taken by peasants, private businesses, or other intermediate dealers; and 7 yuan were taken by enterprises and banks. This leaves 3 yuan for the state, which gets the least benefit from price increases. Several Obvious Factors To Avoid Price Increases [subhead]

"Total Demand Exceeds Total Supply," a familiar phrase coined in recent years, indeed describes the current situation in China and dictates the inevitable general trend of spiraling prices. However, this does not mean that drastic price increases are beyond control. It is imperative now to bring the prices under control.

The above is an analysis made by Lu Nan, director of the Commodity Prices Research Institute under the State Administration of Commodity Prices.

This is indeed the case. Some factors leading to spiraling prices can and should be resolved.

First of all, there is capital construction. Every year we call for reducing the construction scale, but it has continued to grow year after year. In the first 3 quarters of 1987, extra-budgetary investment on capital construction projects increased by 124.5 billion yuan over the same period of the previous year, an increase of 34.5 %. During the period, nearly 1,800 new projects were started throughout the country, about one-third of the total projects under construction. The expanded scale of capital construction has imposed strains on raw and semi-finished material supply, which in turn has brought price increases. Besides, 40 % of the investment in capital construction will become consumption funds, thus overly increasing consumption funds.

As the scale of capital construction escalated, the bank had to allocate funds for the projects. With the shortage of funds, the bank issued more currency. How is it possible to curb prices when additional currency is issued without a corresponding increase in production? According to Zhang Zhuoyuan, director of the Institute of Finance, Commerce, and Commodities Economics under the Chinese Academy of Social Sciences, and Tian Yuan, executive director and concurrently leader of the pricing group of the State Council's Economic, Technological, and Social Development Center, the root cause of the marcoeconomy being out of control [shi kong] lies in the failure on the part of policymakers to change, in a real sense, their outdated guiding ideology that emphasizes a rapid growth rate. Such a view is not unfounded since currently there are quite a few construction projects that have been launched either without scientific probes or at the "order of leaders."

Second, it is the extravagant practices of offices, organizations, enterprises, and units as reflected in their growing purchases. The institutional purchases across the country amounted to only 13.47 billion yuan in 1977, but rose to 46.2 billion yuan in 1986. The trend for extravagance can be seen from high-class sedans running on streets. In 1981 a total of some 15,000 sedans were purchased by institutions, but the figure jumped to more than 115,000 in 1986, which cost over 5 billion yuan in public funds.

Third, some measures in our reform were not aimed at increasing prices, but their implementation often led to price increases. Following are some examples:

— Due to the reduction of materials supplied under state planned distribution at fixed prices, a considerable portion of the materials, such as rolled steel, have been sold outside the plan, resulting in price increases for these materials.

— The measure to allow floating prices for products from other places has caused an "exodus of commodities accompanied by snowballing prices."

— As a result of foreign trade departments competing to buy export commodities, their domestic prices have also gone up.

And so on, and so forth.

Price increases have been caused mainly by state enterprises because they play a predominant role in the national economy and are capable of influencing prices. Unauthorized price increases and collection of fees are especially serious among enterprises of monopoly trades. Some enterprises took concerted effort to increase prices and even set monopolized prices against the consumer interests. Enterprises that have been contracted or leased out are prone to wanton price increases. Rules and regulations governing commodity prices have not been strictly enforced.

Fourth, unstable prices of grain and nonstaple food, which form the foundations of commodities, have affected commodity prices in general.

According to Ye Zhenhe, deputy director of the Finance Ministry's Financial Science Research Institute, since 1983 China's agricultural development has been lopsided in terms of comparative efficiency. It would be better to engage in cash crop cultivation than grain, animal breeding than farming, processing industries than farm and sideline occupations, the building trade than industry, transport than the building trade, commerce than transport, service trades than commerce, transport of goods for sale over long distances than service trades, and slaughterhouses than hog raising. The lopsidedness has brought about a new irrational pricing practice in farm products. Grain prices have dropped, and the peasants do not want to grow grain crops. The grain shortage is inevitably accompanied by shortages and price increases for meat, poultry, eggs, and other nonstaple foods.

It is almost certain that when the aforesaid problems are resolved, the trend of drastic price increases can be stopped. Various Opinions Regarding the Price Reform [subhead]

We sought the opinions of experts in Beijing regarding the issue of soaring prices.

Some said that price increases should not cause panic because in order for the Chinese economy to take off, it is impossible to avoid inflation, which can stimulate economic growth.

Others stated a completely different view, pointing out that the economic reform and pricing reform must be carried out on the condition that commodity prices remain basically stable. Xiang Jingquan, a researcher of

the Finance Ministry's Financial Science Research Institute, said: In recent years, there has been an unhealthy view calling reform an inevitable factor for price increases and terming stable commodity prices as obstacles to reform. The current price increase reflects on the one hand the imbalance between the macroeconomy's total demand and total supply, and on the other the failure to reinforce measures to stabilize prices in the ongoing economic reform.

As price increases exceeded what society could withstand, the National Federation of Trade Unions earlier put forth a remedial measure to link wages with commodity prices. Officials of the Labor Science Research Institute under the Ministry of Labor and Personnel told the reporters that the fixed price subsidies issued by the state to the workers and staff, as well as the residents, cannot offset their additional expenses caused by price increases.

However, there are still experts who regard linking wages with prices as unwise. Because total demand exceeds total supply, the linking will increase consumption funds, and the inability to provide a corresponding increase in commodities will further aggravate price increases, thus forming a vicious circle of price increases, increased subsidies, and price increases again.

While experts have diverse comments on this question, the view held by the people is quite simple: If there is a price increase, their wages should be raised accordingly; otherwise, life will be hard for them. Some people have even said that they would rather refuse an increase in wages than accept a price hike.

In view of the pains brought to society by the reform, different views and much controversy concerning the position and role of price reform in economic restructuring have appeared. Some economic scholars have begun to express skepticism about the position of price reform in the whole economic reform program, saying that price reform will have much more negative than positive effects before a change is made in the mechanisms governing the relations of ownership and the operations of enterprises.

Other economic scholars are holding a diametrically opposite view. In their opinion, the key reason for the difficulties and setbacks arising in price reform is that there has been no "package reform." That is to say, reforms in other fields have not caught up with price reform, and the golden time for price reform has been missed. On the whole, they say, price reform is still the key to deepening our reform program.

Still another opinion is that price reform and enterprise reform, if viewed from the reform strategy, are two main lines of economic structural reform, and they depend on and influence each other. From the viewpoint of tactics, sometimes price reform should be emphasized, while at



other times enterprise reform should be regarded as the core, as dictated by different circumstances and the degree of difficulty of the reform in different periods. Conclusion [subhead]

The practical reform work over the past 9 years has made us aware of this fact: At the beginning, we were somewhat idealistic about price reform, thinking that we could put the pricing system in order in a short time. Now, we know it is not so easy. As can be seen now, putting all prices in order in 1 or 2 years in order to provide the conditions for enterprises to compete on an equal basis is a hard-to-achieve goal too. Also, it is impossible to work out a comprehensive price-adjustment plan to put all prices in order at one stroke. In conducting price reform, we must consider the capacities of our society and masses to withstand the impact caused by the reform. Price reform will win firm support from the masses only when it has no adverse effect on the interests of the majority.

After our interviews with various people and as a result of some hard thinking, we have come to realize the fact that price reform is so complicated that it is difficult to make clear in a few words the numerous problems involved. As can be seen, both economic reform and price reform will inevitably give rise to price increases. As to the rise in prices, man-made factors can be done away with, but factors attributed to the law of economic development are unavoidable. This is a fact independent of human will. At present our price reform is in a dilemma. Taking into account our tolerance for enduring the impact of the reforms, there are two roads we can choose:

— One is to continue the reform. Its result will be a continuation of the "labor pains" accompanying the reform.

— The other is to discontinue the reform, and as a result, China's economy will remain in a badly distorted, backward, and outdated state. Moreover, the problems and drawbacks existing in our price-setting mechanism and our price composition will create unequal external conditions for different enterprises, making it hard for enterprise reform to thoroughly develop. These problems and drawbacks will also cause plans to fall out of step with market conditions, hamper the formation of a proper market system, and make it hard for the state to really substitute an indirect-control system for the direct-control system. All these are of utmost importance to the economic development of our country. The above means that only when we are advancing in defiance of difficulties and continuing to explore ways to make a success of our price reform can we really find a way out.

**LIAOWANG on China's Foreign Trade Reform**  
HK210745 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 1, 4 Jan 88 pp 16-17

[Article by Zhuang Kaixun (8369 0418 0534): "Trends of China's Foreign Trade Structural Reform"]

[Text] Further reforming the foreign trade structure was a very important item on the 1987 agenda for China's economic structural reform. It was not only an urgent requirement for the development of foreign trade itself, but also an indispensable link in the overall reform which aims at establishing a planned commodity economic structure.

#### Review and Rethinking [subhead]

Since the 3d Plenary Session of the 11th CPC Central Committee, radical changes have taken place in China's foreign trade structure. The situation of monopolized operation of foreign trade has been changed. All ministries and commissions at central level and all localities have set up foreign trade companies one after another. Foreign trade management power has been delegated to low levels and operational channels have been increased, thus arousing the enthusiasm of all localities and departments for developing foreign trade. By the end of 1986, there were a total of more than 800 import and export companies approved by Ministry of Foreign Economic Relations and Trade. If professional service companies, such as consultation, storage, and transformation companies, are included, then the total was 1,200 companies. Of the current foreign trade enterprises in China, there are professional foreign trade companies, combinations of foreign trade and production enterprises, and some large and medium-sized enterprises which have the power to directly engage in import and export business. In addition, enterprises run with Chinese and foreign capital and Sino-foreign cooperative enterprises all have the power to deal with the export of their own products and import of raw materials needed in their production. In trade patterns, such forms as processing materials supplied by foreign businessmen, processing products according to buyers' samples, compensation trade, and contra trade have been added. Except for a handful of commodities, such as petroleum, coal, grain, cotton, chemical fertilizer, timber, and steel, which are still covered by mandatory plans, most commodities are now covered by guiding plans.

However, due to our failure to properly handle various relationships and our failure to promptly strengthen vertical guidance and horizontal coordination, an ideal situation in China's foreign trade development, "which is well managed, but not rigid, and which delegates power to low levels, but is by no means chaotic," has not yet appeared. After giving more decisionmaking power to localities in their export business and conducting level-to-level management of commodities, due to the lack of a well-managed environment for fair competition, identical commodities were exported by different companies, which resorted to price reduction to make their products more competitive. As a result, a lot of commodities were exported to overseas markets through unofficial channels. Overseas agents dealing in Chinese products thus had many complaints. In September 1984, the State Council examined, approved and issued a Ministry of Foreign Economic Relations and Trade

report on foreign trade structural reform in which it defined the principle of separating government organs from enterprises and allowing the Ministry of Foreign Economic Relations and Trade to administer foreign trade enterprises, instituting the agent system in foreign trade management, and integrating industry with trade, technology with trade, and import with export. The idea of reform has become more and more distinct. However, as foreign trade structural reform is a very complicated systematic project which is closely linked to the reform of the national economy as a whole, some measures on foreign trade structural reform cannot be effectively adopted as they are not properly coordinated with other measures, and have even resulted in some problems.

Therefore, although we have achieved some results in China's foreign trade structural reform over the past 8 years or so, essential problems have not yet been solved and no breakthrough has ever been made in reform on the whole. One "battle" after another in China's interior areas of rushing to purchase such export commodities as rabbit hair, ramie, prawns, and raw silk have not only sharply reflected various defects of the current foreign trade structure, but have also put the task of deepening reform high on our agenda.

#### Reform Measures To Be Adopted in 1988 [subhead]

Through the practice of the past few years, we have a better idea of the problems in China's current foreign trade structure. The main problems are: The financial system of unified state control over income and expenditure which has been practiced for decades has not yet been thoroughly changed. Government organs and enterprises have been separated in form, but their functions have not yet been clearly defined. Foreign trade companies have not yet truly practiced enterprise-like management. We still lack some effective measures and self-restricting mechanism to invigorate foreign trade microeconomically while controlling it macroeconomically. Some unified policies that should have been adopted have not yet been adopted, thus encouraging foreign trade enterprises to compete with each other blindly under unequal conditions. Our macroeconomic management still takes direct control as the main form and our economic regulation system is still very weak. We have not yet truly solved the problem of integrating industry, agriculture, or technology with trade in the field of structure.

Reform means "to suit the remedy to the case," or to adopt measures to solve the main problems mentioned above.

According to an authoritative person in the Ministry of Foreign Economic Relations and Trade, the main tasks for foreign trade structural reform in 1988 are: To carry out in some trades a pilot project of foreign trade enterprises assuming sole responsibility for their own profit or loss, so as to explore experiences for foreign trade management, moving to a system of foreign trade

enterprises assuming sole responsibility for their own profit or loss in an all-round way in the future; to further improve the contracted management responsibility system in foreign trade enterprises of other trades; to continuously implement and perfect all current policies that are effective in encouraging export; to readjust policies focusing on invigorating foreign trade enterprises; and to make active preparations for gradually trying out a new economic regulation system, so as to lay a foundation for conducting wholly enterprise-like management in the future.

In accordance with this task, we shall implement some important policies and measures in foreign trade structural reform in 1988.

—Further refund taxes on exports. We shall refund all accumulated indirect taxes on all production and circulation links. Taxes will be refunded to foreign trade and economic enterprises for exports which are purchased by the enterprises, and to production enterprises for exports which are sold through agents.

—Carry out a pilot project on assumption of sole responsibility for one's own profit or loss in import and export companies of three trades, namely, light industry, handicraft, and garments, and to gradually promote the experience gained through the pilot project. Import and export companies of other trades will further improve the contracted management responsibility system. Foreign trade companies whose conditions are ripe will actively promote the enterprise-like management system.

—Improve the method of retaining foreign exchange so as to encourage the export of intensive processing products. We will gradually adopt the method of setting the proportion of foreign exchange retained by foreign trade enterprises according to processing degree of different commodities, with a larger proportion of foreign exchange to be retained for intensive processing products and a smaller proportion for elementary products. The three trades which are approved to carry out the pilot project, namely, light industry, handicrafts, and garments, will retain a larger proportion of their foreign exchange income from exports to units engaging in export business and be allowed to assume sole responsibility for their profit or loss by integrating import and export business and by regulating their foreign exchange supply and demand.

—Actively develop industry-trade joint operation. This includes further and gradually delegating the power to operate import and export business; developing direct combination of enterprises which produce products for export and foreign trade enterprises, and various kinds of combinations of interior and coastal areas; allowing foreign trade and production enterprises to directly sign agreements on processing materials supplied by clients and imported materials; establishing bases in open coastal areas and export commodity production areas;



and trying out the method of linking the total wage amount to foreign exchange income from exports in enterprises whose export volume is relatively large.

—Further promote the import agent system so that departments that place orders and departments that use the goods can strengthen economic accounting work and improve the economic results of foreign exchange that is used to import goods.

—Headquarters, branches, and subsidiaries of various foreign trade enterprises and all units within them must promote various contracted management responsibility system and must expand the decisionmaking power and business scope of professional foreign trade companies, including importing technology, "processing materials supplied by foreign businessmen, assembling parts supplied by clients, processing according to buyers' samples, engaging in compensation trade," using foreign funds, becoming shareholders of enterprises producing export commodities, developing future commodities trade, and developing contra trade.

—Improve foreign trade administration with enterprises of different kinds combining as one to develop foreign trade. We will give more decisionmaking power to foreign trade enterprises in planning, in making policy decisions on business management, in labor and personnel affairs, in personnel appointments and removals, and in setting up organs. We must further improve and strengthen the management of the import and export permits system and the export quota system, make preparations to set up five exporters' associations—in grain, oil, native products, and animals; hardware and chemical products; textiles and garments; light industry and handicrafts; and mechanical and electrical products, and coordinate export tasks.

#### Forecasts for Future Prospects [subhead]

After the proposal for foreign trade structural reform in 1988 is put into practice, the following situations may appear.

—As a result of refunding taxes on exports and encouraging the retention of foreign exchange resulting from the export of intensive processing products, it is expected

that China will become more competitive in exporting finished products, and especially products of high additional value after intensive processing.

—Foreign trade enterprises throughout China will further expand their decisionmaking power. In particular, three trades, namely light industry, handicrafts, and garments, will be more flexible in assuming sole responsibility for their own profits or losses and in carrying out business activities boldly.

—Along with further development of industry-trade combination, more production enterprises will combine with foreign trade enterprises and jointly engage in export and trade activities. Production enterprises in the mechanical and electrical industries whose annual export volume exceeds \$3 million have the power to engage in foreign trade themselves. More and more production enterprises will "process materials supplied by foreign businessmen, assemble parts supplied by clients, process products according to buyers' samples, and engage in compensation trade." In particular, town and township enterprises in China's coastal areas will become more active in this field.

—A new form, namely, exporter's associations, will appear in the course of different kinds of enterprises combining as one to engage in foreign trade. It is learned that exporters' associations, as corporation aggregates approved by the state, will formulate plans for coordinating product quality, trade marks, prices, transaction terms, and sales channels, and will establish a normal order in export trade. Exporters' associations also have the power to put forth suggestions to foreign trade administration and management departments on the issuance of export permits and distribution of quotas and the power to take sanctions in this respect. Exporters' associations have now been established in the trades of tungsten ore and electric machinery.

—Due to the adjustment of the proportion of foreign exchange retained by foreign trade enterprises, some foreign trade enterprises will have the power to use a considerable amount of foreign exchange, thus resulting in new changes in import business and domestic markets.



### East Region

#### **Shandong Secretary Attends Conferences** *SK200913 Jinan Shandong Provincial Service* *in Mandarin 2300 GMT 18 Jan 88*

[Excerpts] The provincial diversified economic work and town and township enterprise work conferences were held in Jinan.

The conferences concentrated on the issue of how to maintain the steady and sound development of town and township enterprises.

Ma Zhongchen, vice governor of the province, made a speech at the conferences on the morning of 18 January. [passage omitted]

(Ma Jiesan), director of the Town and Township Enterprise Bureau under the Ministry of Agriculture, Animal Husbandry, and Fishery, paid a special visit from Beijing to attend the conferences.

On the afternoon of 18 January, Liang Buting, secretary of the provincial party committee; Jiang Chunyun, deputy secretary of the provincial party committee and acting governor of the province; Ma Zhongchen, vice governor of the province; and (Ma Jiesan), director of the town and township enterprise bureau under the Ministry of Agriculture, Animal Husbandry, and Fishery, met with all representatives participating in the conferences.

Liang Buting said: The current situation in development of town and township enterprises is very good. With good conditions, the province must continue to maintain this situation. The province should strive to realize a benign cycle of primary, secondary, and tertiary industries in the rural areas. It should explore new ways for developing town and township enterprises in line with actual conditions.

Jiang Chunyun stressed: Town and township enterprises should enter the orbit of the international economic cycle, accelerate the pace of deepening enterprise reform, achieve success in economic management, promote technological progress, and strive to upgrade quality on their own.

### Central-South Region

#### **Guangdong To Take Lead in Political Reform** *HK191515 Hong Kong WEN WEI PO in Chinese* *18 Jan 88 p 2*

["Special Dispatch from WEN WEI PO Reporting Team": "Guangdong Will Take the Lead in Political Structural Reform"]

[Text] Reports say that, with the approval of the central authorities, Guangdong Province will take the first step in political structural reform this year. The reform will

include introducing a state civil service system, exercising an administrative lawsuit system, and dissolving party groups in government departments.

An informed source disclosed that Guangdong is carrying out economic and political structural reform experiments ahead of others. Zhao Ziyang, general secretary of the CPC Central Committee, made it clear at the 13th Party Congress that Guangdong Province should continue to take the lead in economic and political structural reforms.

In trial-exercising the state civil service system, Guangdong Province will classify its state functionaries into two groups, in accordance with the difference between government and professional work. "Personnel in charge of government work" may possibly be changeable, but the status of "personnel in charge of professional work" should remain secure. In terms of promotion, an "electoral system" will be introduced for civil servants at the deputy departmental chief level and above. For civil servants below deputy departmental chief, an "assessment system" will be implemented.

In separating the party from the government and reforming party and government organs, Guangdong Province will dissolve party groups in government departments. In the course of dissolving these party groups the province will also abolish the practice of government functionaries concurrently assuming party posts at the corresponding level. During the initial stage of trial-implementation, all government leaders, with the exception of the governor, will no longer be allowed to take up party posts.

Reports say that the above idea has been approved by the central authorities and that the problem of trial-exercising the civil service system will be submitted to the forthcoming Seventh Guangdong Provincial People's Congress for discussion.

#### **Hainan Cultural, Propaganda Work Discussed** *HK191521 Haikou Hainan Island Service* *in Mandarin 1100 GMT 15 Jan 88*

[Excerpts] Xu Shijie, head of the Hainan Province Preparatory Group, recently held a discussion meeting with responsible persons from all propaganda front units in Hainan Autonomous Region. At the meeting, responsible persons from the propaganda units reported on their work, and some difficulties and problems. Comrade Xu Shijie gave his opinions. (Pan Qiongxiang), deputy secretary of the regional party committee, attended the discussion meeting. [passage omitted]

Comrade Xu Shijie said: The initial plan for Hainan's economic development has been formulated and the plan for institutional reform is nearly formulated. The problem now is how to coordinate various fronts. Propaganda departments also face the problem of how to change their strategic thinking. The most important

thing is that we must upgrade the quality of the current propaganda personnel and update their ideas in accordance with provincial level standards and with the requirements for establishing a large special economic zone.

On updating ideas Comrade Xu Shijie said: We can say a lot on this, but the three main points are: 1) The idea of market economy. With an idea of natural economy we cannot properly open up to the world and cannot properly run a large special economic zone. Only by updating our ideas can we adapt ourselves to the new situation. In conducting propaganda we must pay attention to this problem. 2) The idea of equal competition. We must create equal opportunities so that state-run, private, joint-run, and individually-run units can compete with each other freely. 3) The idea of uniting with people from all corners of the country to fight.

Regarding current propaganda work, Comrade Xu Shijie said: We must pay attention to several problems: 1) The problem of talking and doing. Some people are now doing while talking; some are doing but not talking; and some things that have been talked about should be done step by step. 2) The problem of fast and slow. We must not act slowly. However, we must lay a good foundation and consider carefully when formulating plans and policies and in setting up organs. We must make proper arrangements. If we are too anxious it may result in chaos. But, things that can be started early should not be delayed. 3) The problem of hot and cold. Hainan is now hot, which is good. If Hainan becomes cold it will not be a good thing. But, it will not be good if things get too hot. We must bring in talented people in a planned way based on our needs. We should examine talented people to be brought in. We should not bring in unqualified people. It will be possible to solve the funding problem if our policy is correct, our investment environment improves, and we bring in foreign technology and develop domestic economic ties. [passage omitted]

**Wuhan Elects New CPC Committee Officials**  
*HK210124 Wuhan CHANGJIANG RIBAO in Chinese*  
30 Dec 87 p 1

[Report: "First Session of the 7th Wuhan City Party Committee Elects New Organs"]

[Text] On 28 December 1987, the 7th Wuhan City CPC Committee held its 1st plenary session to elect members of the city CPC committee Standing Committee, secretary and deputy secretaries.

The session was presided over by Comrade Zheng Yunfei. Those who attended the meeting included 39 members, and 7 alternate members of the city CPC committee.

After exchanging views, the session members decided to adopt a method of nominating more candidates than the number elected, and a secret ballot to elect eight city CPC committee Standing Committee members, one secretary and two deputy secretaries.

The following is the list of elected members:

Members of the 7th Wuhan City CPC Committee Standing Committee (arranged in order of the number of strokes in their surnames):

Wang Shouhai (3769 1343 3189), Le Donghan (2867 2639 3352), Liu Kun (0491 3824), Liu Shanbi (0491 0810 3880), Li Meifang (female) (2621 2734 5364), Zheng Yunfei (6774 0061 7378), Zhao Baojiang (6392 1405 3068), Xie Peidong (6200 1014 2767)

Secretary of the city CPC Committee: Zheng Yunfei (6774 0061 7378)

Deputy secretaries of the city CPC committee: Zhao Baojiang (6392 1405 3068), Xie Peidong (6200 1014 2767)

The session approved the chairman, vice chairman and members of the Standing Committee of the city Advisory Committee elected by its first plenary session. It also approved the secretary, deputy secretaries, and members of the Standing Committee of the city Discipline Inspection Committee elected by its first plenary session. The following is the list of the elected members:

Members of the Wuhan City Advisory Committee Standing Committee (arranged in order of the number of strokes in their surnames):

Wang Jie (3769 2638), Wang Guangyuan (3769 0342 6678), Wang Zhenan (3769 0772 0589), Bi Jianyong (3968 0256 0516), Liu Zhenbang (0491 2182 6721), Li Chunjian (2621 2504 7003)

Chairman of Wuhan City Advisory Committee: Wang Jie (3769 2638)

Vice chairman of Wuhan City Advisory Committee: Wang Zhenan (3769 0772 0589)

Members of Wuhan City Discipline Inspection Committee Standing Committee (arranged in alphabetical order):

Qiao Xin (0829 2450), Liu Shanbi (0491 0810 3880), Guan Tao (female) (7070 3447), Su Changmei (female) (5685 7022 2734), Yang Shiyong (2799 0013 5391), He Qixiong (0149 0366 7160), Hu Jixiang (5170 1015 4382)

Secretary of the Wuhan City Discipline Inspection Committee: Liu Shanbi (0491 0810 3880)



Deputy secretaries of the Wuhan City Discipline Inspection Committee: He Qixiong (0419 0366 7160), Qiao Xin (0829 2450)

Comrade Zheng Yunfei spoke at the session.

Comrade Zheng Yunfei said: Starting from today the newly elected 7th Wuhan City CPC Committee, city CPC committee Advisory and Discipline Inspection Committees, shoulder the heavy task of leading reform and construction in Wuhan. We must observe a down-to-earth manner to do our work well, and never let the masses down.

Comrade Zheng Yunfei pointed out: After the closing of the party congress, our most important task is to continue conscientiously studying and implementing the spirit of the 13th CPC National Congress. Studying the documents of the 13th Party Congress is our long-term task. Although we have a good beginning, we should deepen our study. In particular, through study we should firmly establish a viewpoint of developing productive forces, and integrate the two basic points with the building of socialism with Chinese characteristics.

He added: Unswervingly speeding up and deepening reform is the present work focus of the city CPC committee. While actively promoting systematic reform of the second phase, we should take the change in business operational mechanisms of enterprises as a key link to further improve various kinds of contract responsibility systems. At present, the key to political structural reform lies in separating the party and the government. The city CPC committee is preparing to establish a leading group responsible for political structural reform. It is unnecessary for various prefectures and counties to wait for our final planning. They must take action immediately, and be bravely explore. The city CPC committee, the city Advisory Committee, and the city Discipline Inspection Committee should work out rules of procedure in accordance with the principle of separating the party and government.

In conclusion, Comrade Zheng Yunfei said: It is the priority task of the city CPC committee to do well in party building, and to administer the party strictly. It should set a fine example in improving party work style. It should take the lead in carrying forward the fine tradition of seeking truth from facts, carrying out hard struggle, establishing a close link with the masses, and promoting unity and cooperation. It should enhance its consciousness in implementing the basic line of the party to accomplish various tasks put forward by the 13th City CPC Committee.

Members of the city Advisory and Discipline Inspection Committees attended the session as nonvoting delegates.

## Southwest Region

**Sichuan People's Congress Session Opens**  
*HK210629 Chengdu Sichuan Provincial Service  
in Mandarin 0100 GMT 21 Jan 88*

[Excerpts] The First Session of the Seventh Sichuan Provincial People's Congress opened in Chengdu on 20 January. [passage omitted] He Haoju presided at the opening ceremony. Present were executive chairmen Yang Rudai, Wang Ao, Wang Yanli, Zhaxi Zeren, Liu Xilin, Liu Haiquan, and Huang Qizao. Also present were Lu Dadong and Tian Bao, members of the Central Advisory Commission; Fu Quanyou and Wan Haifeng, leading comrades of Chengdu Military Region; Zhang Haoruo, Gu Jinchi, Feng Yuanwei, Bai Shangwu, Song Dafan, Xu Chuan, (Xu Shiqin), and Gao Shuchun, leading comrades of the provincial party committee; Xu Mengxia and Yang Wanxuan, leading comrades of the provincial advisory commission. [passage omitted]

Governor Jiang Minkuan delivered a report on the work of the government. He first reviewed the achievements in reforms and construction in the past 5 years. [passage omitted] He said [begin recording]: During the past 5 years, calculated according to 1980 prices, gross social output value has risen at an average annual rate of 11.9 percent, industrial and agricultural output value has risen at an average annual rate of 11.2 percent, national income has risen at an average annual rate of 10.1 percent, and financial revenue has risen at an average annual rate of 15.2 percent. This has been one of the best periods for economic and social development in the province's history. [end recording] [passage omitted]

On the work of the government for 1988, Jiang Minkuan said [begin recording]: Guided by the spirit of the 13th National CPC Congress, the provincial government should resolutely implement the guideline of further stabilizing the economy and deepening the reforms, take economic construction as the core task, ensure that reforms permeate the overall situation, strive to achieve steady development of the economy, further consolidate and develop the political situation of stability and unity, and strive for new victories in all work.

This year will be the first year in implementing the spirit of the 13th National CPC Congress in an all-round way and the third year of the Seventh 5-Year Plan. Doing everything possible to make a success of work this year is of great importance for achieving the various goals of the Seventh 5-Year Plan. The main arrangements for economic planning call for a 6.7 percent increase in total industrial and agricultural output value, with a 4 percent rise in agriculture and an 8 percent rise in industry. [end recording]

Jiang Minkuan pointed out that, to fulfill the work tasks for 1988, it is necessary to speed up and deepen the urban and rural economic reforms with the focus on perfecting the enterprise operational mechanism;



strengthen the agricultural foundation and boost the reserve strength for agricultural development; readjust the production structure and improve macroeconomic returns; improve market supplies and strengthen price controls; enliven finances by deepening the reforms, and control the scale of investment; and develop science, technology, and education, the better to serve economic construction. [passage omitted]

**Xizang Police Release Detained Lhasa Rioters**  
*OW211021 Beijing XINHUA in English 0830 GMT 21 Jan 88*

[Text] Lhasa, January 21 (XINHUA)—Police today released 59 persons who had been detained for participating in two riots last fall in this capital of the Tibet Autonomous Region.

Their release had been proposed by the Bainqen Lama, who is on an inspection tour of the region, said Namgyal, a senior Lhasa law official.

The decision was announced this morning at a meeting attended by monks from the Zhebung, Sera and Jokhang monasteries, as well as officials of a neighborhood committee in Lhasa.

More than 80 persons were detained in connection with the September 27 and October 1 riots that police said had been led by a number of splittists at the instigation of the Dalai Lama clique.

Police said the rioters, waving "Snow Lion flags," a religious icon, and shouting "Tibet wants independence", smashed police vehicles, attacked policemen, and burned down a police station and a neighborhood committee office in downtown Lhasa.

Thirteen of the detained participants were released on October 28. Over ten others now remain in custody.

Namgyal said most detainees have shown repentance and some have exposed others over the past three months.

Three of the released people, Tjambai Cering, Losang Dagwa and Qamba Danzim, spoke at the meeting.

Qamba Danzim, a lama from the Jokhang monastery who suffered burns in the October 1 riot, said: "I have committed an unforgivable crime of betraying the people and trying to disrupt China's unification in the riot, which brought heavy property losses to the state and the people."

"Therefore, I'd like to express from the bottom of my heart my apologies and remorse to the government and the people," said Gamba who praised the government for the medical aid he received and pledged henceforth to be a law-abiding monk.

**Xizang CPPCC Discusses United Front Work**  
*HK191539 Lhasa Xizang Regional Service in Mandarin 1130 GMT 18 Jan 88*

[Excerpts] According to XIZANG RIBAO, a meeting of the Sixth Session of the Fourth Regional CPPCC was held at Lhasa Theater on the morning of 14 January.

Pagbalha Geleg Namgyai, vice chairman of the national CPPCC and vice chairman of the regional CPPCC presided over the meeting and delivered an important speech.

In his speech, he noted: Immediately after the 13th CPC National Congress, the party Central Committee called a tea party for non-party people. At the tea party, General Secretary Zhao Ziyang made an important statement on how to do CPPCC united front work well. Party and state leaders laid bare their hearts, had their say, exchanged views, and discussed affairs of state with members of the NPC and the national CPPCC, members of all democratic parties, and religious personages. This once again embodied the democratic spirit of the 13th CPC National Congress. I myself had the honor to attend the tea party and listen to the important statement given by General Secretary Zhao. I really feel that the 13th Party Congress provided CPPCC and united front work with a clear orientation, and that the central leading comrades pay great attention to united front and CPPCC work.

Vice Chairman Pagbalha Geleg Namgyai continued: Even prior to the the 13th CPC National Congress, the Party Central Committee called a democratic consultation meeting to listen to our views and proposals. We were also invited to attend the 13th CPC National Congress as non-voting delegates, which is of great historical significance. Shortly after the closing of the 13th Congress, the new leading body of the CPC Central Committee again invited us to discuss affairs of state together and heeded our opinions. This is a really good and new turn in establishing the system of socialist democratic consultation with Chinese characteristics. At the same time we must also see that the load on the shoulders of the CPPCC, all democratic parties and people of other circles has become heavier. We must understand the people and society and get acquainted with the realities. Through the channel of consultation and dialogue, we must energetically reflect things as they really are to the higher authorities. Meanwhile, we must suggest ways and means for reform and modernization and must promptly and accurately relay the real state of affairs to the people. At the tea party General Secretary Zhao Ziyang asked: What does the 13th Congress mean for united front work? I think this is a profound question which is worth studying in depth. As a patriotic united front organization, the CPPCC should conscientiously review its work in a down-to-earth manner as our country is carrying out reforms and opening up to the outside

world. We must answer in full the important question raised by the Party Central Committee. This is one of the major tasks ahead of us. [passage omitted]

### North Region

**Beijing Mayor Discusses 'Obstacles' to Development**  
*OW211000 Beijing XINHUA in English 0937 GMT*  
21 Jan 88

[Text] Beijing, January 21 (XINHUA)—Low productivity, a population explosion and shortages of water resources and construction capital are posing serious obstacles to the economic and social development of the capital, city Mayor Chen Xitong said today.

Addressing the first meeting of the ninth municipal people's congress which opened here today, Chen called on the 880 delegates to the conference to offer their advice and help the government solve these problems.

He said that Beijing's per capita GNP is less than one tenth of that of other big cities in the industrialized countries; most of its rural people still rely on hand tools; the output value of the energy consuming industries still makes up 60 percent of total industrial output value, and the development of tertiary industries is still far behind the needs of the people and industry.

Population growth has brought a series of problems to the city, the mayor said. In the urban area, public transportation is overcrowded and housing shortages have become one of the main complaints of the residents. The mayor called on the whole city to do their part in family planning.

Chen elaborated in his report that Beijing has 9.88 million permanent residents now, and the number is still increasing by 140,000 people each year. The floating population (those living or working in Beijing on a temporary basis) has also grown from 300,000 per day in 1982 to 1.15 million at present.

In talking about the shortage of water, the mayor said Beijing is a city which lacks an abundance of water resources. Its available water resources are one sixth that of other parts of the country and one twentieth that of other parts of the world. In recent years, total annual water consumption has already approached the limit of available resources. In addition, because of overextraction, the underground water level has dropped sharply.

Meanwhile, with the increasing concentration of buildings in urban areas, land available for construction has been used up and reserved agricultural fields and green belts surrounding the city have also been wantonly occupied, thus decreasing the city's open spaces. These seriously hamper the future development of the capital.

The mayor also pointed out that fundamental services lag far behind the city's development needs. By way of illustration, he said that daily water supply at peak time falls 150,000 to 200,000 tons short of demand; the underground water pipes in the old city area are too narrow and obsolete and should be replaced immediately; urban rubbish increases each year and pollution levels are deteriorating; electric power supplies lack 300,000 to 400,000 kilowatts at peak time; central heating only covers 13 percent of the urban area; telephones are only available to 9.1 percent of the residents; the internal and external transportation network poses a big problem; airports and railway stations are operating under excessive loads; and the city's facilities for dealing with natural disasters are meagre.

In his work report, Chen Xitong also showed that the city is shouldering a heavier burden of financial subsidies than in years past. He said that in 1982, the figure was 800 million yuan, and in 1987 it soared to 2.5 billion yuan, with no end in sight.

In talking about the challenges the city faces, Chen also admitted some mistakes in municipal government work.

He said governments at all levels are plagued by bureaucracy, overlapping jurisdiction, inefficiency, interference in the operations of enterprises and lack of strict regulations, supervision and inspection.

Market regulations have proved unable to keep up with the development of the socialist commodity economy and this has led to price hikes, he continued, adding that the existing regulations have not been strictly observed.

The mayor appealed to all Beijing residents to help solve the above problems.

**Meeting of Beijing CPPCC Committee Opens**  
*OW210009 Beijing XINHUA in English 1211 GMT*  
20 Jan 88

[Text] Beijing, January 20 (XINHUA)—The first meeting of the Beijing Committee of the Chinese People's Political Consultative Conference (CPPCC) opened here today with 686 members participating in the meeting.

Of those attending, 258 are professors, associate professors, researchers, senior engineers or agronomists.

About 55 percent of the members are new faces, making the average age of this year's committee five years younger than the last.

The committee members come from 19 parties and organizations, including the Communist Party, the democratic parties, people from religious circles, private entrepreneurs, township enterprise leaders and scientists.



Three specialists on Hong Kong were chosen to the committee for the first time.

At the opening ceremony, Bai Jiefu, chairman of the municipal committee of the CPPCC, delivered a report on the functions of the CPPCC and its efforts to promote modernization.

He said there are now 4,000 CPPCC members in the Beijing Committee, with their work involving them in politics, economics, cultural and social life. They help the party by conducting dialogues, seminars, investigations and research and supervisory activities.

In the past five years, members have put forward more than 3,033 suggestions and submitted 91 investigative reports, attracting a lot of attention from the party and government leaders, Bai added.

**Hebei Secretary Attends CPC Plenum Meeting**  
*SK200822 Shijiazhuang HEBEI RIBAO in Chinese*  
29 Dec 87 p 1

[Excerpts] The Fifth Plenary Session of the Third Hebei Provincial CPC Committee successfully concluded on the morning of 28 December.

Forty-eight members of the provincial party committee attended the second meeting of the plenary session held on 28 December. Eight members were absent on sick leave or on leave for private affairs. Ten alternate members attended the meeting while three were absent on sick or personal leave. All Standing Committee members attended the meeting. Xing Chongzhi, secretary of the provincial party committee, presided over the meeting.

Attending the meeting as observers were members of the provincial Advisory Commission and the provincial Discipline Inspection Commission; party-member responsible comrades of the provincial People's Congress Standing Committee, the provincial government, and the provincial CPPCC committee; secretaries of the prefectural and city party committees and discipline inspection commissions; and secretaries of leading party groups and party committees under the provincial-level organs. [passage omitted]

At the plenary session on 28 December, members of the provincial party committee in turn approved by acclamation the report on "Pioneering the Road of Advance Under the Guidance of the Guidelines of the 13th CPC Congress," the "Proposal for Conducting Education on the Party's Basic Line Throughout the Province," and "Hebei Province's 1988 Plan for Deepening the Economic Structural Reform" made by Xing Chongzhi on behalf of the Standing Committee of the provincial party committee. The Standing Committee of the provincial party committee has been instructed to revise these three documents in line with the opinions of the participants and then to print and distribute them after the session.

At the same time, the plenary session also approved by acclamation the draft "Outline of Hebei Provincial Strategies for Economic Development." The Standing Committee has been instructed to revise the outline in line with participants' opinions and then to issue it as a "draft" outline.

The plenary session approved the provincial Advisory Commission's report on "Wei Zhang's Resignation from the Posts of Member and Standing Committee Member of the Provincial Advisory Commission." The report of the provincial Advisory Commission states that through the discussions, the provincial Advisory Commission Standing Committee has approved Comrade Wei Zhang's resignation from the posts of member and standing committee member of the provincial Advisory Commission only because he is 70 years old. [passage omitted]

**Shanxi People's Congress Session Opens 20 Jan**  
*HK210231 Taiyuan Shanxi Provincial Service*  
in Mandarin 2300 GMT 20 Jan 88

[Excerpts] The first session of the Seventh Shanxi Provincial People's Congress solemnly opened in Taiyuan on 20 January. Ruan Bosheng, executive chairman of the session, presided at the opening. [passage omitted] Also present were executive chairmen Li Ligong, Wang Mao-lin, Lu Gongxun, Wang Tingdong, Feng Suta, Zhang Jianmin, Hui Yuyu, and Wang Wenzhang. [passage omitted]

Governor Wang Senhao delivered a report on the work of the government. The report was in two main parts: 1) review of the work of the government; and 2) on the work of the next provincial government. He said that the province has achieved marked success in economic and social development over the past 5 years. [passage omitted] He proposed that the province should work hard to carry out the following tasks in 1988:

1. Implement the principle of stabilizing the economy and strive to improve economic returns.
2. Strengthen the foundation of agriculture and promote steady development of agricultural production.
3. Deepen the urban economic structural reforms and speed up the pace of opening up to the world.
4. Deepen reforms in science and technology and education, and speed up the development of these undertakings.
5. Strengthen social order and crack down hard on serious crime.
6. Actively promote political structural reform and change the government's work functions. [passage omitted]



The session held its second full gathering in the afternoon. [passage omitted] Wu Junzhou, chairman of the provincial Planning Commission, delivered a report on the draft of the province's economic and social development plan for 1988. After reviewing economic developments in 1987, he said that in accordance with the spirit of the 13th Party Congress and the state's demands on this year's planning arrangements, and in line with the general ideas on the 7th 5-Year Plan in the province adopted by the provincial People's Congress, the guiding ideas for 1988 planning in Shanxi are: To resolutely implement the guideline on further stabilizing the economy and further deepening the reforms, proposed by the central authorities; keep a tight rein on finances and credits; continue to implement three guarantees and three reductions; control capital construction and the growth of consumption funds, and stabilize prices. At the same time, we must launch in depth the double increase and double economy drive, vigorously improve economic returns on capital, strive to increase and improve [words indistinct], and ensure the sustained and steady development of the economy. [passage omitted] The focal points in economic and social development in 1988 are as follows:

1. Assign an important position to developing agriculture and increasing grain output. We must strive for a relatively good grain harvest, and further improve the appearance of poverty-stricken counties.

2. Speed up the construction of the energy, communications, and raw materials industries, and further promote the processing and conversion of coal.

3. Continue to implement the principle of three guarantees and three reductions, ensure the key projects, and get a good grasp of placing completed projects into production and carrying out the technological transformation of key enterprises.

4. Vigorously increase output of products in short supply in the markets, [words indistinct], further improve supplies, and strictly control the rise in prices.

5. Further develop science and technology and education and do a good job in environmental protection in key areas.

Wu Junzhou pointed out that the province should focus on the following items of work this year:

1. Tangibly strengthen agriculture and vigorously boost grain production.

2. Continue to implement the principle of three guarantees and three reductions, ensure key construction projects, and place completed projects into production.

3. Further develop science and technology and education.

4. Solve the shortages of electricity and raw materials, and speed up the development of communications and transport.

5. Make proper arrangements for the production, transport, and sale of coal and the production of its main by-products.

6. Work hard to balance foreign exchange, earn more foreign exchange from exports, and create a new situation in using foreign investment and importing technology.

7. Increase output of consumer goods with a ready market, do a good job in building (?non-staple food) production bases, further improve market supplies, and strive to maintain basic price stability in the markets.

8. Strive to improve planning work. [passage omitted]

**Tianjin's Li Ruihuan Attends Bridge Ceremony**  
*SK200828 Tianjin TIANJIN RIBAO in Chinese*  
30 Dec 88 p 1

[Excerpts] On 29 December, Li Ruihuan, secretary of the municipal party committee and mayor, attended a ceremony to mark the completion of Yonghe Bridge. He met with the outstanding designers, scientific research personnel, and builders of the bridge. He thanked the broad masses of workers, cadres, and intellectuals who made great contributions to its construction. [passage omitted]

Also attending the ceremony marking the completion of the bridge were leading municipal comrades, including Bai Hualing, Yu Fujing, Liu Jinfeng, Xiao Yuan, and Huang Yanzhi, and responsible persons of relevant departments.

### Northeast Region

**Jilin's Gao Di Attends Discipline Meeting**  
*SK201118 Changchun Jilin Provincial Service*  
in Mandarin 1030 GMT 18 Jan 88

[Text] On 16 January, Gao Di, secretary of the provincial party committee, visited comrades attending the provincial conference on discipline inspection work. During the visit, Gao Di spoke on how to strengthen discipline inspection work and improve and consolidate the building of party style. He also answered some questions.

Comrade Gao Di said: At present, all party organizations are faced with a new question. This is, how to ensure the smooth progress of reform and opening up, and how to successfully reform themselves. Similarly, discipline inspection organizations should also solve this question well. The basic line of the party during the initial stage of socialism is also the basic line of discipline inspection organs. Discipline inspection work must ensure the implementation of the party's basic line. In building

party style under the new circumstances of reform and opening up, we must take the new road of depending on reform and institutional construction. This requires discipline inspection organs to participate in reform. Only by positively participating in reform can these organs support and protect reform.

Comrade Gao Di said: To solve party style problems, we must strive to improve the quality of party members. To this end, we should strengthen education, enforce discipline, and pay attention to carrying out reform and system building. Reform is very important because it can solve and reduce the cases of evil practices. Discipline is also indispensable, because it is very difficult for us to ensure smooth progress of reform and opening up without a rigorous enforcement of discipline. In approaching the mistakes in reform, we should help those who have committed mistakes to sum up experiences and draw a lesson. We should not demand perfection, still less enforce discipline on them. However, those who [words indistinct] the reform, violate laws and discipline, deliberately commit crimes, obstinately cling to the wrong course, and cause grave losses to the state must be resolutely held to account without any leniency. [passage indistinct] Only when we closely integrate the two and make them interact with each other can we effectively consolidate party style. Discipline inspection departments should concentrate their energy on [words indistinct] in order to better exploit their functional role within the framework of laws. Party committees should support the work of discipline inspection committees in order to create a favorable condition for them to handle affairs.

Comrade Gao Di stressed: Separation of the party from the government will not weaken party leadership, but will strengthen it. This requires that party committees raise their leadership expertise to an even higher level. In carrying out reform, discipline inspection work should be strengthened, rather than weakened. Before the higher authorities set forth a unified program for the reform of the entire discipline inspection structure, discipline inspection committees should maintain stabilization, and continue to conduct their work in order to avoid a vacuum in this regard.

Comrade Gao Di expressed the hope that discipline inspection committees at all levels would actually assume the duties of concentrating energy on managing party discipline well and helping party committees manage party style well, will enforce (?party discipline) in the course of strengthening party style, will engage in work in a down-to-earth manner, will investigate and deal with discipline violations one after another, and will solve practical problems one after another. As long as we persevere in this work, our province's party style will certainly be improved, law violations will certainly decline, and reform and economic construction will certainly develop rapidly.

**Liaoning's Quan at Opening of CPPCC Session**  
*SK201056 Shenyang Liaoning Provincial Service*  
*in Mandarin 2200 GMT 19 Jan 88*

[Excerpts] The First Session of the Sixth Liaoning Provincial CPPCC Committee ceremoniously opened in Shenyang City on the morning of 19 January. Major tasks of the session are: Summarize the work done by the provincial CPPCC committee over the past 5 years; define various tasks for the CPPCC in the future in line with the one center and two basic points; and urge CPPCC members throughout the province, members of various democratic parties and mass organizations, and other patriotic people to make contributions to accelerating the province's programs in economic construction and in conducting reforms and opening to the outside world. Other major tasks are: According to the enforcement of the principle of one country, two systems and under the new situation in which questions on Hong Kong and Macao have been solved and the Taiwan authorities have allowed Taiwan compatriots to pay visits home to the motherland, to continuously and extensively develop friendly ties with outside places in order to further create a new situation in CPPCC work.

Attending the session's opening ceremony were leading comrades from the Liaoning provincial CPC committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress, the provincial people's government, the Shenyang Military Region, and the Liaoning Provincial Military District, including Quan Shuren, Dai Suli, Liu Defang, Wang Guangzhong, Li Changchun, Liu Jingsong, and (Yuan Qixiang).

Among those invited to the opening ceremony were principal leading personnel of former provincial party committees, including Huang Oudong, Guo Feng, and Li Chao; and veteran comrades who were in charge of leading work in the provincial CPPCC committees.

Liu Mingjiu, vice chairman of the fifth provincial CPPCC committee, presided over the opening ceremony of the session. Yue Weichun, vice chairman of the fifth provincial CPPCC committee, delivered an opening speech. Xu Shaofu, chairman of the fifth provincial CPPCC committee, delivered a work report of the provincial CPPCC Standing Committee. [passage omitted]

### Northwest Region

**Shaanxi Leaders Discuss Financial Work Reform**  
*HK201531 Xian Shaanxi Provincial Service*  
*in Mandarin 0500 GMT 16 Jan 88*

[Text] Leading Comrades Zhang Boxing, provincial party committee secretary; Hou Zongbin, acting provincial governor; and others stressed repeatedly before and



after the provincial conference on financial work early this year that the reform in financial work should be accelerated and more effort should be exerted in enlivening financial work.

A Standing Committee meeting was convened by the provincial party committee before the provincial conference on financial work specifically to hear reports on the situation of the provincial financial work. Comrade Zhang Boxing said that the financial work of the province has achieved significant results and thus will bring good effects to future work. The financial funds have basically ensured the needs for industrial and agricultural production and the development of various undertakings, the needs for various reforms, and the needs for improving the living standards of the urban and rural populations. Financial reform itself has taken the first step, and financial management has been strengthened. The work concerning tax revenue has achieved significant results and an extra amount of tax of some 100 million yuan was collected. He expressed thanks on behalf of the provincial party committee to the comrades in the province engaging in the work concerning tax revenue. The reform in financial work should be accelerated and more efforts should be put in enlivening financial work.

Zhang Bin, vice provincial governor, delivered an important speech in the name of the provincial party committee and the provincial government. He said that the work conference of the provincial party committee convened recently had put forward targets for financial revenue in the next 3 years. The financial work this year should center on and grasp the following matters:

1. We should continue to widely and deeply grasp the double increase and double economy campaign in a better way to achieve good results.
2. We should seriously carry out the policy of [word indistinct] prefectural, and county finances, and we should implement this policy in accordance with the 10 policy measures promulgated by the provincial government to achieve good results.
3. The work of the system of financial responsibility and the system of taking sole responsibility for surplus and deficits should be definitely implemented in all prefectures, cities and counties, and units.
4. We should promote and perfect various reforms centering on the system of enterprise contracted management responsibility.
5. We should adopt effective measures to invigorate capital to raise more funds for economic construction and use it in short-cycle, cheap, and speedy projects and key construction projects that require less investment and will bring quick results.

**Xinjiang May Get Three Special Economic Zones**  
*HK200846 Hong Kong SOUTH CHINA MORNING POST in English 20 Jan 88 p 10*

[From Marlowe Hood in Beijing]

[Text] China's State Council is considering a plan to establish three special economic zones in Xinjiang before the end of the year, according to a source involved in feasibility studies.

The scheme could be unveiled around the time of the forthcoming National People's Congress session.

The cities of Urumqi, Yining and Kashi would be the first such zones in China's less developed interior. All existing special economic zones (SEZs), which offer favourable trade and investment incentives to promote economic growth, are situated on the eastern seaboard.

The plan, if executed, is significant in several ways.

The proposed zones are especially designed to boost economic exchange with the Soviet Union and the Eastern bloc, according to the source. Two-way trade with the Soviet Union alone has increased tenfold from U.S.\$300 million (HK\$2.34 billion) in 1981 to more than U.S.\$3 billion (HK\$23.4 billion) last year, though only a fraction has passed across the Xinjiang border.

The completion of a rail spur linking Urumqi and the Soviet border—currently under construction—should increase border trade dramatically.

The southernmost of the proposed zones, Kashi, is close to Pakistan, which already enjoys good relations with China.

The new zones fit into a pattern of generally improving Sino-Soviet relations. Regular border and normalisation talks over the last two years have considerably eased tension between the communist neighbours.

More trade across the border is especially attractive to China as much of it is barter. China imports cars, production lines for manufacturing, construction materials and chemicals from the Soviet Union and other East European countries. Barter trade helps China maintain its chronically short foreign exchange reserves for other purposes.

The establishment of SEZs in China's interior also carries domestic political and economic implications.

The gap in economic development between the prosperous east and the backward west has been a sensitive political issue since the beginning of communist rule.



Early efforts to build heavy industry in the interior away from established transportation networks have proved costly and inefficient but under Chairman Mao Zedong, investment funds were nonetheless diverted from cities such as Shanghai and Beijing to ensure more balanced growth.

Reforms initiated under Mr Deng Xiaoping since 1979 have widened the gap. Reform-minded leaders have insisted that increasing regional disparity in wealth is temporary but have been criticised by more orthodox critics worried by the social and economic consequences of unequal economic development.

However, while the proposed SEZs might help balance economic growth conservative leaders may criticise the first inland outposts of foreign trade in the modern era.

China has historically restricted economic entrepôts to seaside cities such as Xiamen (Amoy), Guangzhou, Tianjin and, more recently, Shenzhen and Zhuhai. Politics aside, the SEZs make excellent economic sense, say Chinese experts.

State councillor Mr Gu Mu, who has overseen the development of China's SEZs, and so-called "14 cities", toured Xinjiang in September 1986 and suggested that "the Silk Road should recover its fame" as an international trade centre.

**Li Promulgates Assembly, Street March Law**  
*OW202325 Taipei CNA in English 1435 GMT*  
20 Jan 88

[Text] Taipei, Jan. 20 (CNA)—President Li Teng-hui in a presidential decree Wednesday promulgated the Assembly and Street March Law effective Jan. 20.

The law, containing 35 articles, had been approved by the Legislative Yuan on Jan. 11.

According to Article One, during the period of communist rebellion, the law aims to protect the people's constitutional rights of assembly and street march while maintaining social peace and order.

Other important highlights of the law are:

—All assemblies and street marches should not violate the Constitution, advocate communism or the division of the national territory; and

—The presidential office, several of the government's administrative branches, international airports, harbors, important military facilities and the surrounding areas within (7300) meters of these departments and installations are restricted areas where assemblies and street marches will not be allowed.

**Radio Lauds Constitutional Succession Process**  
*OW200955 Taipei International Service*  
in English 0200 GMT 18 Jan 88

[Station Commentary: "Another Constitutional Succession"]

[Text] Those who remember the history-making scene of Lyndon Baines Johnson being sworn into office aboard Air Force One within an hour of the death of President John Kennedy will be glad to know that the same process of constitutional succession works well in the Republic of China, too. Four hours after the passing of President Chiang Ching-kuo last Wednesday afternoon, his vice president, Li Teng-hui, was sworn into office. The constitutional rules of success were carried out smoothly, for the third time in this young republic's history.

In 1975, the death of President Chiang Kai-shek tested the succession process for the first time. All went smoothly as his vice president, Mr C.K. Yen, took the oath of office that same day.

The succession process was next tested after President Yen decided to retire from public service at the end of his term in 1978. The constitutional procedure for election of a new president and vice president kicked into gear, with Chiang Ching-kuo being selected by the nation's electoral college, the National Assembly. Chiang, and his vice president candidate Hsieh Tung-min were elected and sworn into office.

In 1984, Vice President Hsieh decided to retire from office. President Chiang selected Li Teng-hui as his running mate. They were elected by the National Assembly.

President Chiang's death occurred at the halfway mark of his second 6-year term. President Li will serve until 1990, at which time he will either be reelected for a full term, if he chooses to run, or be voted out of office, depending of course on his performance over the next 3 years.

As President Li gets settled into the office of the presidency, there has been some speculation as to whether he will have the political clout to do the job the way his predecessor did. Observers who tend to worry about Li's chances cite the fact that he has no connections with the military and has weak ties to the Central Committee of the ruling party, the Kuomintang.

But viewed from another angle, this is the beauty of the constitutional system. A man with ties to the people and not necessarily the powers-that-be can ascend to the top. As it were, President Chiang helped pave the way for a smooth transition by gradually moving the military out of the political picture, and by using his own prestige to support Li in the party.

Whether Li succeeds or not is now up to him. As the new president said in his message to the nation on the night of President Chiang's death, "The responsibility I feel is great... but I will exert every effort to carry out President Chiang's will."

As it were, Li has received unqualified support from all quarters, including the military and the party rank and file. As a Taiwan native who has become president of the Republic of China, he enjoys wide support among the common folk.

All this tends to allay any fears people might have about his ability to get the job done. And the nation is behind him one hundred percent. Meanwhile, the Constitution has done its job again.

**DPP Announces Temporary Truce with KMT**  
*OW200933 Taipei CHINA POST in English*  
16 Jan 88 p 15

[Text] The opposition Democratic Progressive Party [DPP], wondering what is in store after the death of President Chiang Ching-kuo, has announced a temporary truce with the ruling Kuomintang [KMT]. At the same time, the ruling party has signaled that it will not exploit the opportunity to put a stranglehold on the DPP.

Chiang, who died Wednesday of heart failure at age 77, is deeply mourned by an opposition that respected his efforts to ease political restrictions. He allowed the formation of opposition political parties, scrapped martial law and permitted Taiwan residents to travel to

mainland China to visit relatives. The late president succeeded in pushing through a liberalization program against the resistance of KMT conservatives by force of charisma and prestige.

#### Dissidence Under Chiang [subhead]

Under those policies, dissidents gained a new visibility and increased their activities. The DPP frequently took to the streets of Taipei to protest and its newly elected lawmakers relished picking fights with ruling party members on the floor of the legislature.

But, DPP sources say, the opposition fears that those heady days may be over for a while with Chiang's passing. The opposition also worries that a resurgence of conservatism may slow or even reverse Chiang's political reform program.

The DPP announced soon after Chiang's death an indefinite moratorium on demonstrations, which were in any case banned for 30 days during the mourning period for the late president.

#### Opposition Also Mourns [subhead]

DPP Legislator Kang Ning-hsiang paid his respects to the late president at the Veterans General Hospital in Taipei Thursday, where the remains of Chiang are temporarily being held. The death of Chiang is a "great loss" to the nation, Kang said, adding that if Chiang had lived longer during this period of political and economic transition, he would have made greater contributions to constitutional democracy and economic liberalization in Taiwan.

Another opposition legislator, Chu Kao-cheng, described by the local press as a fire brand, broke down in tears when he learned of Chiang's passing.

Ruling party and opposition legislators promised to restrain themselves during the 30-day mourning period ending February 12.

#### Bipartisan Work [subhead]

But the KMT has hinted it will not try to restrict the DPP with Chiang gone.

The KMT said yesterday it will continue to negotiate with the DPP on controversial bills pending in the legislature. The KMT also said it will shelve controversial articles of a bill governing the formation of new political parties until this summer. Earlier, the KMT had said it would pass the legislation by mandate since the DPP is boycotting review of the bill anyway.

One opposition worry was quelled yesterday when Defense Minister Cheng Wei-yuan and Chief of the General Staff General Hau Pei-tsun reiterated that the Armed Forces will uphold the late president's will and

support Chiang's successor, Teng-hui. The opposition had feared military intervention in politics might slow down Chiang's political reform package.

#### Chiang's Will [subhead]

One day before Chiang died, he told KMT Secretary-General Huan that he wanted to accelerate the pace of his political reform programs, including rejuvenating parliamentary bodies and making local governments autonomous.

#### Taiwan To Pay Tribute to Chiang Ching-kuo *OW210429 Taipei CNA in English 0231 GMT* 21 Jan 88

[Text] Taipei, Jan. 21 (CNA)—The Republic of China will observe a one-minute silence as late President Chiang Ching-kuo's body starts its journey from the Yuanshan Martyrs' Shrine to his resting place at Touliao Guest House, Taoyuan County, at 9:00 a.m. on Jan. 30. Shaw Yu-ming, director-general of the Government Information Office [GIO] announced Wednesday.

Bells of temples and churches around the nation will toll simultaneously at that moment to mourn for the passing of the beloved national leader, Shaw said at a GIO press conference.

All government offices and schools will be closed for half a day Jan. 30 so that citizens may take time to pay their last respects to the memory of the late president, Shaw said.

Before President Chiang's body is moved, a Kuomintang flag will first be draped over his casket by senior presidential advisors Shieh Tung-min and Huang Shao-ku; Presidential Secretary General Shen Chang-huan; Interior Minister Wu Po-hsiung; Li Huan, secretary general of the Kuomintang Central Committee; Defense Minister Cheng Wei-yuan; and Foreign Minister Ding Mou-shih.

Then a national flag will be draped over the casket by President Li Teng-hui; Premier Yu Kuo-hua; Nieh Wen-ya, president of the Legislative Yuan; Lin Yang-kang, president of the Judicial Yuan; Kung Te-cheng, president of the Examination Yuan; Huang Tsun-chiu, president of the Control Yuan; Chen Li-fu, senior advisor to the president; and Wang Shih-hsien, director general of the China Democratic Socialist Party.

The ceremony will be televised live by three local tv stations, Shaw said.

He also announced that a memorial service will be held Jan. 29, with over 2,000 ranking government officials, parliamentarians, party leaders and representatives from all walks of life participating.



**Hong Kong Paper Discusses Taiwan After Chiang**  
*HK200500 Hong Kong WEN WEI PO in Chinese*  
17 Jan 88 p 13

[Article by Hsia He (1115 0149): "A Short Analysis of the Situation in Taiwan After the Death of Chiang Ching-kuo"]

[Text] Mr Chiang Ching-kuo, chairman of the KMT [Kuomintang], suffered from diabetes, which led to heart failure. Unfortunately, he passed away on 13 January.

A person's birth, growth, decrepitude, and death follow an irresistible natural law. But the death of a leader in Taiwan's political arena who shouldered heavy responsibility has commanded the sympathy of many people.

Since Chiang Ching-kuo assumed power in Taiwan, universally acknowledged achievements have been made in Taiwan's economic development. A gratifying step has been taken recently in Taiwan's political reform. Last year Taiwan made one decision after another on suspending martial law, lifting restrictions on the party and press, and allowing Taiwan inhabitants to visit their relatives on the mainland. These enlightened policy decisions, proposed by Chiang, have won universal acclaim.

Will Taiwan's democratic reform continue after Chiang's death? Will Taiwan continue to implement an open policy towards the mainland? These are questions of common concern.

According to recent analyses made by experts, scholars, and those interested in political affairs at home and abroad, Taiwan will continue its democratic reform and its open policy towards the mainland. Pu Shao-fu, former member of Taiwan's Legislative Council, said that Chiang's death would not affect Taiwan's political situation because he set up a special group of 12 members before his death to deal with the reforms in all fields, which paved the way for collective leadership after his death. Pu Shao-fu also said that the measures adopted to allow Taiwan inhabitants to visit their relatives in the mainland and lifting press restrictions are established policies. Moreover, the trend and situation have developed along this direction. Therefore, these policies will not change.

Viewed from the development of Taiwan's situation after Chiang's death, Mr Pu Shao-fu's analysis was penetrating. First, Li Teng-hui smoothly succeeded Chiang and took an oath of office as Taiwan's seventh president. Second, the provisional plenary session of the Standing Committee of the KMT Central Committee unanimously supported Li Teng-hui assumption's of the presidency and also expressed the determination to carry

on Chairman Chiang's will (pursue democratic administration and realize the great cause of national reunification). When Li Teng-hui took the oath of office, he also emphasized that he would continue to pursue democratic administration and realize the great cause of national reunification.

In fact, Chiang Ching-kuo and the KMT policy-making body decided on promoting democratic reform and implementing an open policy towards the mainland in light of current social reality and based on a meticulous study. Chiang Ching-kuo made important speeches on two occasions in the October 1986 to May 1987 period. He pointed out in October 1986: "Times are changing and so are the environment and trends. To adapt ourselves to these changes, the ruling party should promote reform measures with new ideas and methods on the basis of democratic administration." In his speech made in May last year, Chiang called on members within the party to be responsible to all the people and to history. He pointed out that the decisions made that are beneficial to the state and nation should be implemented in full. The spirit of the principles expounded in the two speeches constitute the guiding ideology for Taiwan's recent reform and open policy.

Although Chiang Ching-kuo could not personally witness these goals, we believe that Taiwan's new leaders will continue to follow the road of reform and opening up illuminated by him.

**Hong Kong Editorial Mourns Chiang Ching-kuo**  
*HK200740 Hong Kong TA KUNG PAO in Chinese*  
15 Jan 88 p 2

[Editorial: "Mourning Chiang Ching-kuo, Hoping Stability Will Be Maintained on the Island"]

[Text] The passing away in Taipei of Chiang Ching-kuo, president of the Chinese Kuomintang (KMT), is a misfortune for the KMT which is carrying out innovations. It is also a misfortune for fellow countrymen at home and abroad who are concerned about the easing up of relations between the two sides of the strait and the formation of a new situation there. While the whole island is mourning and making funeral preparations, the other side of the strait has responded promptly. The CPC Central Committee sent a condolence telegram to the KMT Central Committee to extend profound condolences over the unfortunate passing away of Mr Chiang Ching-kuo and to express sincere sympathy for the relatives of Mr Chiang. Zhao Ziyang, general secretary of the CPC, delivered a talk to express his condolences over the death of Mr Chiang. He reaffirmed Beijing's consistent policy of peaceful reunification of the motherland. This move of the CPC toward the KMT was the first in almost 4 decades. We believe it will attract the close attention of all parties concerned, both at home and abroad.

The life of Mr Ching-kuo was a legendary one. When he was young, he studied in the Soviet Union and received military and political education in Moscow and other places. After returning home in 1937, he engaged in political tutelage in southern Jiangxi. After his arrival in Taiwan he was in charge of the work of the "National Salvation League" and trained young cadres. With the evolution of the times, he attached importance to the rectification of administrative work style. Somewhat different from the people of the older generation, he was always practical and hard working. There is a saying that "If we no longer try to make a good showing, we might as well jump into the sea" spreading among the KMT members of the younger generation in Taiwan. This is prompted by historical conditions. In those years, he shared weal and woe with ex-servicemen on the island in building roads and carrying out local construction. This activity played a positive role in the island's economic development. In the mid-1970's, he assumed the leadership of the KMT and put a new generation of party people in important positions, attached importance to science and technology, invigorated the economy, wiped out corruption, and rectified the administrative work style. In so doing, he managed to withstand pressures of all kinds from within the party.

In the 1980's, he was in his evening years and suffered from diabetes and diseases of the heart and prostate among other things. It seemed that his ability was not equal to his ambition. However, the times changed drastically and the situation inside and outside the island was pressing. Chiang Ching-kuo basically kept a clear head with regard to the situation then. This was particularly demonstrated when some people in the international community periodically whipped up an evil wind to encourage "splittism" and to split our territory. He clearly supported the solemn and just one-China stand and opposed the "independence of Taiwan" and "two Chinas." He favored the reunification of the country and persistently opposed the wild ambitions and attempts of people inside and outside the island to split our country's territory in disregard of the interests of the Chinese nation.

In the last few years, more and more people on the island have demanded innovations. Eventually Chiang Ching-kuo put forth the keynote of "the trends are changing, the times are changing, and values are also changing." To suit the needs of the changed situation, he stressed safeguarding the situation of stability and unity and social prosperity on the island. In the KMT, while promoting a consensus of understanding between party people of older and younger generations, he proposed six topics for great innovation. With painstaking efforts, he

at last gradually announced the lifting of martial law after almost 4 decades and the lifting of bans on political parties and newspapers and on people visiting relatives on the mainland, initially opening up the doors for mutual visits of relatives and cultural and scientific and technological exchanges between the two sides of the strait. This move is highly praised by compatriots on both sides of the strait.

In his remaining years, Chiang Ching-kuo encouraged party people to hold themselves responsible for the entire people and history and not to let history down in the interests of the nation. On a question which concerns people on both sides of the strait, while clearly affirming that China must be united, he reaffirmed "combatting the communists and recovering the country." While repeatedly expressing adherence to the "three no's" policy of "no contact, no compromise, and no negotiations" and rejecting the "three connections," he lifted the ban on mainland relative visits and prepared to expand entrepot trade. Domestically, while stressing upholding "constitutional rule," he had to advocate some innovations which would shake some aspects of "constitutional rule." In the face of "a difficult situation" as he called it, these contradictions in mentality and the statements and actions of Chiang Ching-kuo's are understandable.

Zhao Ziyang, general secretary of the CPC, delivered a condolence talk yesterday. He said that Mr Chiang Ching-kuo had upheld the one-China policy, opposed the "independence of Taiwan," stood for the reunification of the country, said that he would not let history down, and made certain efforts to help relieve tension over the relations between people on both sides of the strait. This is a universally acceptable realistic appraisal.

At a time when the KMT leadership is undergoing change and people abroad are concerned about possible changes in the island's situation, Beijing reaffirmed that its policy of peaceful reunification of the motherland would not change and that it hoped Taiwan's KMT authorities and compatriots from all walks of life would discuss state affairs to achieve the reunification of the motherland and the rejuvenation of the Chinese nation. This is the consistent policy of the CPC.

At present, we hope that while mourning Chiang Ching-kuo, the Taiwan authorities and political forces from all quarters concerned will be united, maintain communication, and make concerted efforts to keep the island's situation stable and maintain social stability and economic prosperity so that the people can work in peace and happiness. We express sincere sympathy to the relatives of Mr Chiang.

## Hong Kong

**PRC Vice Foreign Minister Meets Governor**  
*HK210600 Hong Kong AFP in English 0552 GMT*  
21 Jan 88

[Text] Hong Kong, Jan 21 (AFP)—Chinese Vice Foreign Minister Qian Qichen met Hong Kong Governor Sir David Wilson here Thursday, following a debate in the British parliament on the future of the British colony.

No details of the half-hour meeting were officially released, but sources close to Beijing here said the two had probably discussed British Foreign Secretary Sir Geoffrey Howe's statement in the British parliament Wednesday on Hong Kong's future.

London would not sacrifice Hong Kong's interests to pursue good relations with China, which is to resume sovereignty over the British colony in 1997, Sir Geoffrey said.

"There is no question of putting Hong Kong second," Sir Geoffrey said in a parliamentary debate which was broadcast live to this British colony.

Mr. Qian was paying a courtesy call on Sir David on his way back to Beijing after an official visit to Australia, a Hong Kong government spokesman said.

Under a Sino-British pact, Hong Kong is to retain its capitalist system while enjoying "a high degree of autonomy" for 50 years after 1997.

Critics have accused the London-appointed administration here of bowing to Beijing pressure by toning down local demands for more democracy in pre-1997 Hong Kong.

Mr. Qian left Hong Kong for Beijing Thursday following an overnight stopover after arriving from Sydney late Wednesday, said a spokesman for the local branch of the NEW CHINA NEWS AGENCY which acts as Beijing's official representation here.

**Attorney-General To Leave Government in May**  
*HK20845 Hong Kong SOUTH CHINA MORNING*  
*POST in English 20 Jan 88 p 1*

[By Lindy Course and Lulu Yu]

[Excerpt] In an unprecedented move, the Attorney-General, Mr Michael Thomas QC, will set up private practice as a barrister in Hong Kong when he leaves the Government in May.

The Government announced yesterday that Mr Thomas, 55, had decided not to renew his contract and would be succeeded as Attorney-General by Mr Jeremy Mathews, the Crows Solicitor.

It is the first time a solicitor has been appointed to this top post and, as the Attorney-General is also titular head of the Bar in Hong Kong, the Government may have to make special arrangements to accommodate Mr Mathews.

Mr Mathews, 46, said yesterday that one of his priorities would be to continue the Legal Department's policy of localisation. [passage omitted]



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